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# East Europe Report

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## FARMERS POLLED ON PRIVATE SECTOR SURVIVAL CHANCES

Warsaw WIES WSPOLCZESNA No 9, Sep 86 pp 82-88

[Article by Bronislaw Saluda: Specialist Farmers on the Future of their Own Farms and Private Farming in the People's Republic of Poland"]

[Text] Information about the Respondents

The information used in this article was collected during interviews conducted in the spring of 1982. The author visited 88 farms he knew actively participated in inter-sector cooperative production. (Footnote 1) (M. Makowiecki, "Why Specialized Farms?", ZYCIE GOSPODARCZE No 13/1980 p. 6.) The worst one produced 500 kg of net live weight (goods production) in 1978, when the national average was only 187 kg from 1 hectare. The most active farm in this group sold more than 14,000 kg of live weight per hectare, although units that sold between 500 and 2000 kg of live weight dominated. (Footnote 2) (Farms producing at this level constituted 83 percent of the sample.)

The farms that were the subject of the author's study were distributed over 11 voivodships, although the decided majority were in the Olsztyn, Elblag, and Gdansk Voivodships.

The research tool was a questionnaire that covered a wider range of problems than the present article discusses.

The research was conducted during the first months of martial law. It was feared that the respondents would be reluctant to express their view, that they would be overly cautious in formulating their opinions. These fears were largely false. In only two cases did the author encounter refusals to give the quantity of production and on socio-political issues everyone expressed himself quite freely. Characteristically, in no case was it necessary to show identification documents. When the interviewer went to show his instructions and work identity card, the respondents waved it off as unnecessary. One respondent even stated: "If you are not who you say you are, then you are capable of obtaining all the stamps required for such an occasion."

The group under study is small so the results can only be treated as a kind of indicator. However, the respondents represent an important group, and their opinions, I believe, will interest our readers.

## The Respondents on the Future of Their Workplaces

Table 1 shows that of the 80 people who responded, only 13 saw problems with finding a successor (five refused to answer, for their children were less than 2 years old).

It is worth emphasizing that none of the respondents declared his intention of transferring his farm to a distant relative or in-law or to the state in return for a pension.

Table 1. Respondents on the Future of Their Own Farms

Increase in the Size of the Farms 1970-1978 (percent)	On Retirement Transfer to: for lack of a successor No			A Child	Total Cases
	State	In-Law	Sell or Lease Answer		
0			1	4	31
0-50				2	15
50-99				3	13
100-149			1	1	3
150 or more				1	5
Total			2	11	67
					80

The respondents were also asked about the occupations they wanted their children to pursue. Of the 85 who expressed an opinion (three families had no children) 65 wanted their sons or daughters to become private farmers.

The cited figures, although based on adults' opinions, are sufficiently convincing to consider the theory that the rural life has no future because it cannot compete with the city which is a more attractive environment in comparison with provincial rural life. In 1980 Prof D. Galaj wrote, for example: "The prorural position finds no support among those who are to live in the country in the future; thus it is unreasonable, inhuman because it opposes young people's views . . . who are the candidates for rural life." (Footnote 3) (D. Galaj, "Judging Fairly," POLITYKA 2 Feb 1980)

For the studied farms, fear of difficulties in finding a successor can be placed among the fairy tales. The age structure of the owners of these farms is also generally good. The group contains 23 farmers 30 or less years old and 32 farmers 50 or less years old. Thus, a large percentage of the managers of these active production units are young people. Without fear of error, one can say that intergenerational change proceeded normally on these farms even in the years before this study.

One might say that Prof D. Galaj thesis confirms the exodus of young women from the country who easily find husbands in the city. Rural areas suffer because young farmers cannot find wives. (Footnote 4) (See W. Pawlowski, "Farmers Take Wives," POLITYKA 20-27 Dec 1980) On the studied farms this phenomenon has not taken on this significance. There were two confirmed bachelors among the group, but in each case they performed other work in addition to farming (emergency nurse and agricultural service employee). Their

bachelorhood was caused by an oversupply of candidates rather than by a shortage.

Table 1 also shows that finding a successor is no problem especially among the most rapidly growing farms that have increased their size and produce large quantities and high incomes. On these farms a young, talented farmer with the appropriate equipment can spread his wings and impress his peers and feel socially useful. Such farmers feel no inferiority in comparison with those who have moved to the city and have an 8-hour work day and free Saturdays.

A wealthy, educated farmer, who uses his head as well as his muscles, will find an attractive life partner. If country girls do not appreciate the values of life with him, he will find a wife in the city. On the described farms examples of this seemingly shocking claim occur.

In the Kashubian region a daughter of the owner of a large carpentry shop in the former county seat and a highschool graduate married a young farmer. Near Reszel in the Mazurian region a daughter of a well-placed State Railways employee and a highschool graduate decided to become the wife of a beginning farmer who had graduated from an agricultural vocational school (two fine children, a nicely furnished apartment, she willingly works in the fields); she does not regret her decision, although due to the children she wishes to change farms and live closer to a village with a quality school. In the Powisle area a 20-year old was asked whether he would have trouble finding a wife. He was clearly surprised: "Troubles! I am not hunting for someone who will perhaps like to come live on the farm with me; I can choose among those in the country and among those from the city."

One can believe that the problem of finding a wife exists mostly among those on small, traditional, unmechanized farms that produce low incomes and require overwhelming physical effort where just making ends meet is difficult.

#### The Flight of the Young from the Country to the City

The process is surely healthy and needed. But it must be synchronized with almost automatic replacement of the living labor by technical resources. It should not be a "flight" but a planned phenomenon that leads to the creation of economically strong family farms and is not a negative selection process.

Polish law in general guarantees this,; however, practice during the last 40 years has varied. More than 1 million private farms have disappeared, but the average size is still about the same. In 1982 it was barely 5 hectares. (Footnote 5) (ROCZNIK STATYSTYCZNY GUS Warsaw 1984. p. 275 table 5 (378), table 8 (381) B.) During this same period in France and the FRG the number of farms of 10 hectares or less has systematically declined, while those of 20 hectares or more have systematically increased.

For years in Poland everything has been done to limit the flow of land between private farms. In some regions (including the Olsztyn Voivodship) nearly all the land falling out of private use passed through the State Land Fund into the socialized sector. As a result the land structure of the individual farms has a clearly archaic character.



The point is not to thoughtlessly depopulate the rural areas but to eliminate dwarf farms, to prevent farmers from living on the edge of poverty. Every farmer regardless of the sector in which he works should live as the people employed outside of agriculture. We can discuss socialization of production only with such farmers, without imposing the form of socialization on them. If it becomes necessary, they themselves will decide when and in what manner to modify private ownership of land. Only then when its initiative comes genuinely from below will the transformations not cause a decline in production but rather an increase. Moreover, the interests of society as a whole will also be preserved along with the interests of the individual producers. Only then can we say as F. Engels's postulate states that the farmers have been given time to move from the private production of food to the higher form of group production. (Footnote 6) (F. Engels, "The Peasant Question in France and Germany," in K. Marks, F. Engels, "Selected Works" Warsaw 1949, v. 2 p. 416.)

One might want to argue that this would take too long. Social life has no place for such concepts like slow or fast. The base and the superstructure must be synchronized. If the appropriate relation between social consciousness and the forces of production does not exist, then even the proper proposals cannot be carried out. It is possible to accelerate changes in consciousness. The problem is that as yet no one knows how to do this and previous attempts produced different results than expected. We only know that compulsion and decreeing lead nowhere. Thus common sense and reasonableness are all the more required.

#### Specialist Farmers on the Prospects for the Private Sector in the People's Republic of Poland

It is best to begin with the presentation of the studied group's opinion.

Table 2. Opinions on the Future of Polish Private Agriculture and Farm Size

Farm Size 1981 in hectares	How long Private Farms Will Exist							cases
	9	10-24	25-49	50 or more	always	no opinion	no in- formation	
0-9		2			5			7
10-19	12	7	2	1	12	2	1	40
20 or more	5	10	2	3	16	5		41
Total	17	19	4	7	33	7	1	88

In analyzing the data in table 2 we must remember the respondents' difficult situation. Everyone was shocked by the breaking of the long-term cooperative contracts under which the state guaranteed supplies of nutritive fodder. Nearly everyone during martial law was feverishly making illegal transactions at local market places to prevent their live stock from starving. And if they were successful and the live animals went to slaughter, the dissatisfaction did not decrease, for their modern live-stock buildings stood empty because they had no nutritive fodder. Despite the experiences of the anti-farmer policies of the past 40 years, despite the lack of concern for the specialist

farmers during the beginning of the current crisis, the distribution of the answers on the future of the private sector is obviously optimistic. More than half of the respondents said that individual farms will exist in Poland for more than 50 years or always. They were on the whole owners of larger farms.

In order to facilitate the discussion of this problem the use of additional information is needed. Proportionally more of those that stated that the private sector will exist for more than 50 years are among the owners of farms that carry on the most intense production, are the most in debt, and have the highest percentage of idle production space in livestock buildings.

This attitude can be explained in two ways. It could be simple desire, understood as a overwhelming hope, that better times for them will come, that soon in post-crisis times they will be able to return to their plans, in which they had invested so much effort, and to which they attached such definite hopes. The data also supports the assumption that the most active farmers are simply pragmatic. They believe that farmers in Poland will not be collectivized in the traditional, accelerated manner, and if so then in the distant future. They are incapable of believing that the people's authorities will want to exchange more efficient family farms for less efficient socialized units given the present stage. They believe that the farms they manage are capable of assuring society a good supply of food and the producing families in this sector of agriculture a high income.

The owners of smaller less profitable farms are generally resigned. It is difficult to believe they are less attached to the farmer's way of life. They simply have less resources; thus they have felt the effects of the crisis more forcefully. Perhaps they are impatient and thus are inclined to resign themselves to their fate, to submitting the expected chain of events to accepting the view that the general political situation, both domestically, in the bordering countries and throughout the socialist camp, has determined the future of Polish private agriculture.

#### In Place of a Conclusion, or Ruminations on the Polish Phenomenon

The neighboring socialist countries have long had collectivized agriculture. The amendments to the Constitution passed by the Sejm state that private agriculture is a permanent element of the socialized order, emphasizes the exceptional status of the Polish situation. Previously, individual farmers lived in constant fear of the loss of their farms. In sociology this phenomenon is most easily described by the term uncertainty. According to Ewa Maslyk this term is usually associated with a more specific articulation of the sphere of phenomena to which it applies or that cause the uncertainty. We thus encounter attempts to explain or describe "the action in condition of uncertainty, "making risky decisions", "solving problems under conditions of limited information," "planning uncertainty." (Footnote 7) (E. Maslyk, "The Concept of "Uncertainty" and its Application in Sociological Analyses," *STUDIA SOCJOLOGICZNE* No 1 1979 p 203)



As regards the above statement on the situation under consideration, it is definitely possible to speak of action in conditions of uncertainty, permanent uncertainty, for it has lasted several successive decades.

The maintenance of productive activity and the absence of an atmosphere of panic shows how resilient and socially and politically mature the farmers are, how the leaders have been able to reverse agricultural policy in time.

This survey reflects to some degree the contemporary situation. It also shows the existence of significant levels of mistrust that has grown up between the authorities and the farmers. It also shows there is an opportunity to overcome past mistakes. The farmers need proof that the former blunders will not be repeated, that the announced slogans will not be at odds with daily practice.

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## ECONOMIC COOPERATION WITHIN CEMA DISCUSSED

Budapest KULPOLITIKA in Hungarian No 5, 1986 pp 86-110

[Article by Laszlo Szamuely and Roza Gyurky: "The Strategic Interrelations of Our Economic Cooperation With the CEMA Countries"]

[Text] Cooperation's Economic Significance

a. After World War II, cooperation with the CEMA countries decisively influenced Hungary's economic growth, and the growth rate, provenances, destinations, and proportions of Hungary's external economic relations. The CEMA countries' system of regional cooperation evolved within the given historical framework, against the given international background, on the basis of the socialist production relations, systems of economic and social institutions, and system-specific economic mechanisms unfolding in the region. Mainly the industrial revolution's traditional technologies and structures of specialization, cooperation's low level of performance but high level of requirements, dynamic market expansion, and procurement of raw materials and sources of energy on advantageous terms were the characteristics of cooperation among the socialist countries throughout most of the past period that covers over a third of a century. The practice of regional cooperation that evolved after World War II provided favorable conditions primarily for economic growth of the extensive kind, in countries that were modernizing their economies and unfolding their process of industrialization with a historical time lag. The favorable conditions created for importing raw materials and sources of energy provided, over a longer period of time, the basis for developing material- and energy-intensive industries, for embarking on industrialization founded on the processing of raw materials, in countries with a paucity of mineral resources.

The strategic priorities set in the initial stage of cooperation were closely linked to eliminating the shortages that existed on a regional scale, and to realizing the advantages that mass production and the economies of scale offered when producing in larger series. In accordance with this strategy, regional cooperation affected the most significantly and primarily the development of large-scale industry specializing in mass production.

b. At the macroeconomic level, the regional strategy amalgamated also basic socioeconomic "expectations" formulated for the national economy. One of the most serious problems in the social development of Hungary and several other

countries of East Europe during the first half of this century had been the economy's inability to provide enough jobs, and the historically evolved unemployment. Job-creating economic development therefore became a top priority that stemmed not only from the requirements of streamlining growth, but from the social changes as well. By offsetting with exports of industrial products the imports of raw materials, semifinished products and sources of energy, Hungary and the other small CEMA countries were able to create many new jobs, which helped to quickly liquidate the historical unemployment in these countries. Even today, the output of products sold in the CEMA countries' markets is supporting roughly 700,000 jobs in Hungary. If we take into consideration also the service industries and services that direct export requires, roughly a fifth of the jobs of Hungary's gainfully employed is related to regional cooperation. Thus the rate of employment, which is very important from the viewpoint of the political conditions and society's sense of well-being at any given time, is especially sensitive to the conditions of the cooperation established with the CEMA countries, and to changes in the trends of these conditions.

c. Over and above establishing the extensive track of accelerated growth and charting the directions of the structural changes, regional growth also influenced our country's equilibrium conditions very favorably in the long run. In small countries sensitive to the external economy, it is especially difficult to resolve the strains on equilibrium by means of economic policies. Because--due to business cycles and changes in international business conditions, respectively to the relatively limited domestic resources and smaller markets--disequilibria in external economic relations can develop more readily and frequently, and may affect domestic economic equilibrium much faster and more forcefully. The fixed foreign-trade prices that were intended to exclude the effects of world-market price fluctuations, the subsequent use of moving-average prices in foreign trade after 1975, the accounting practices that developed in CEMA cooperation, and the exclusion of economic rent for financial capital and technology unquestionably weakened the economic units' cost-sensitivity and external adaptability; but neither were they sources of strains on the equilibrium conditions at any given time. Regional cooperation thus played an important role in maintaining socioeconomic stability. In the first half of the 1980's, Hungary's substantial surplus in its balance of "nonruble-denominated" trade with the Soviet Union played a particular equilibrating role, enabling us to offset the foreign-exchange stringencies in trade with other provenances and destinations, or to improve general external economic equilibrium.

d. The expansion of the foreign-trade turnover reflects also the various growth factors' orders of magnitude. The value of Hungary's export to CEMA countries rose from 7.65 billion forints in 1950 to 143 billion in 1980, and the value of import rose during the same period from 6.4 billion to 140 billion forints (at current prices). In the 1980's, there was a further expansion, in value terms, of our foreign trade with our CEMA partners and other socialist countries (see Table 1).

The socialist countries' share of our foreign trade varied between 60 and 70 percent in the third quarter of this century, and then amounted to 55 percent in 1980, and 56 percent in 1985. In those two years, roughly four-fifths of

Table 1. Turnover of Hungary's Foreign Trade With Socialist Countries  
(Billion Forints)

	Import		Export	
	1980	1985	1980	1985
Socialist countries jointly	149.5	223.2	152.2	248.9
Of which:				
Bulgaria	2.6	6.1	4.4	6.1
Czechoslovakia	15.3	20.3	16.7	24.0
Poland	10.8	19.2	10.9	16.3
German Democratic Republic	20.4	26.6	18.9	25.3
Romania	6.3	7.2	6.8	7.2
Soviet Union	81.8	132.2	81.9	110.0
Vietnam	0.2	0.5	1.3	1.0
Mongolia	0.2	0.3	0.2	0.3
People's Republic of China	2.0	3.5	1.8	5.6
Cuba	0.7	1.1	1.4	3.8
Yugoslavia	7.4	14.5	7.8	15.2

From: "Kulkereskedelmi Statisztikai Evkonyv" [Statistical Yearbook of Foreign Trade], Central Statistical Office, 1981; and STATISZTIKAI HAVI KOZLEMENYEK, No 1, 1986.

Hungary's export to socialist countries was denominated in rubles. From the viewpoint of the structure of foreign trade by provenances and destinations, the CEMA countries accounted for 92 percent of the turnover of Hungary's trade with socialist countries. The decisive role of the Soviet Union in shaping cooperation is evident over a longer period. The Soviet Union's share of the turnover of Hungary's trade with the CEMA countries was 44 percent in 1950, 58 percent in 1980, and 54 percent in 1985. From 1950 to 1985, on the other hand, Romania's share dropped from 12 to 3.3 percent; and Czechoslovakia's, from 17 to 10 percent.

e. Within Hungary's ruble-denominated import in 1985, sources of energy accounted for roughly one-third; materials, semifinished product and parts, for another third; machinery, for 22 percent; industrial consumer goods, for 10 percent; and farm and food-industry products, for barely 3 percent. In ruble-denominated export, on the other hand, machinery accounted for 46 percent; materials, semifinished product and parts, for 23 percent; industrial consumer goods, for 17 percent; and farm and food-industry products, for 13 percent.

Certain Hungarian activities and economic spheres are very strongly dependent on cooperation with the CEMA countries. In the importation of basic materials for industry, the share of ruble-denominated import exceeds 60 percent in metallurgy, 90 percent in the automotive industry, and 70 percent in the telecommunications industry. About 60 percent of the imported household appliances, beverages and tobacco products is denominated in rubles. In the machine industry, Hungary's most important exporting branch, 76 percent of the 1985 export volume was shipped to ruble-denominated destinations. The shares of these markets exceeded 90 percent of our exports of pharmaceuticals and instruments, 80 percent in the case of machine tools and telecommunications equipment, and 75 percent for vehicles and machine-industry parts. The



following trend became fairly clear in the first half of the 1980's: the most technology-intensive areas of Hungarian industry, respectively its products that are relatively the closest to the forefront of technological progress in terms of their utility characteristics and technical parameters, depend decisively on ruble-denominated markets. Although on a somewhat smaller scale, a development similar in its directions can be observed also in the case of that other pillar of Hungarian export, the export of farm and food-industry products: in 1985, already 30 percent of the total export in this commodity group was ruble-denominated export. An annually varying, but nonetheless significant, proportion of Hungary's export to the CEMA countries is denominated in dollars, not rubles. This further enhances the relative importance of the CEMA markets.<sup>1</sup>

f. Statistical investigation of the relative market shares that the CEMA countries have attained in their mutual trade is by no means devoid of its problems, and the proportions suitable for international comparisons can be interpreted only within certain margins of error. According to the CEMA statistics made available to the United Nations Economic Commission for Europe, Hungary's share in the turnover of the CEMA countries' mutual trade was 8.1 percent in 1970, 5.0 percent in 1980, and 4.6 percent in 1985.<sup>2</sup> This declining trend is explained in part by the fact that, in the period of expanding East-West trade, the share of import from Western and developing countries rose in every CEMA country and especially in the Soviet Union, the decisive member nation already for reasons of its size. But the dynamic growth of East-West relations was no longer characteristic of the early 1980's, and the share of trade with developed capitalist countries declined in every CEMA country except the Soviet Union. On the basis of the extent and duration of the shifts in the relative positions we occupy in regional trade, it would not be warranted to attribute this process to one-time effects, to changes in the international economic and political environment, because this environment reflects primarily the changes in the conditions of CEMA cooperation.

#### Changes, to Date and Expected, in Regional Cooperation's Environment

In historical situations when the outlines of the economic future seem more certain, the socioeconomic processes are clearer and more predictable, and regional cooperation has annual, medium-term [five-year] and long-term international agreements to rely on, it is an easier task to formulate, conceptually and in a technical sense, a strategy of cooperation with the CEMA countries. With the acceleration of the international economic and technological changes, however, the internal and external conditions of socioeconomic development have changed in the CEMA countries as well. Depletion of the reserves of extensive economic growth, sensitivity to the external economy that is increasing parallel with the accelerated industrial and technological development, the economic mechanisms and levels of performance that evolved in the period of extensive growth, respectively the lack of harmony among the requirements of modernization, and the intensification of the interactions between CEMA cooperation and East-West trade--all this has influenced in several respects the domestic and external economic processes unfolding in East and Central Europe, as well as the member nations' scope for maneuvering in regional cooperation, their interest relations and aspirations. In a regional projection, the success of Hungary's external economic strategy

depends on the Hungarian economy's adaptability to the new situation arising in East Europe, on the extent to which it is able to plug into the new circuits, the new points of main effort in development, in the individual CEMA countries. Therefore a survey of the scope for maneuvering available to Hungary's external economic strategy cannot dispense with examining the more important and more lasting characteristics of the CEMA countries' economic situation (see Table 2).

Table 2. Economic-Growth Aggregates in the Soviet Union and Small CEMA Countries (Annual Average Rates of Change, in Percent)

	<u>1971-78</u>	<u>1979-82</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<b>Soviet Union</b>					
Net material product	5.5	3.3	4.2	3.2	3.1
Industrial output	6.6	3.3	4.2	4.1	3.9
Farm output	2.1	0.6	6.2	-0.1	0.0
Gross investment	6.1	2.6	5.7	1.9	3.0
Export	5.9	2.2	3.3	2.5	-12.1 <sup>a</sup>
Import	9.2	6.1	4.0	4.4	-0.3 <sup>a</sup>
<b>Small CEMA Countries</b>					
Net material product	7.0	0.1	3.9	5.2	3.0
Industrial output	8.0	2.0	4.4	4.8	4.3
Farm output	3.0	1.1	0.9	6.9	-2.5
Gross investment	8.8	-3.7	2.3	1.7	2.0
Export	8.4	4.3	7.4	8.4	1.5 <sup>b</sup>
Import	8.0	-2.1	3.4	5.5	2.6 <sup>b</sup>

Sources: Compiled by the UN ECE Secretariat, from the official statistical reports of the individual CEMA countries. ECONOMIC BULLETIN FOR EUROPE, 1985, p 30.

<sup>a</sup>From MONTHLY BULLETIN OF STATISTICS, United Nations, January thru September issues, 1985.

<sup>b</sup>From MONTHLY BULLETIN OF STATISTICS, United Nations. The figures for 1985 are preliminary data.

a. One of the fundamental changes during the past decade in the economic environment of regional cooperation has been a slowdown of the rate of economic growth. Until the end of the 1970's, the CEMA countries—together with Japan, the petroleum-producing countries, and the new industrial countries of the Far East and Latin America—were the most dynamic zone of world economic growth after World War II. Of course, the rate of economic growth alone is a yardstick of limited reliability for measuring economic performance. Indeed, amidst the international structural changes accelerating in the 1970's, rapid growth within an unaltered structure already led to negative growth and strains on equilibrium. The slowdown of economic growth in the first half of the 1980's extended to every country. In Poland, national income in 1985 was lower than its level five years earlier. But the region as a whole—thanks to the dynamic growth in the Soviet Union and the GDR, at rates exceeding the regional average—expanded its production at a rate close to the world average. Among the economic results, rapid liquidation of the external economic disequilibria that had developed in the 1970's even evoked international recognition. Simultaneously, the improvement of equilibrium stemmed primarily



from economic growth, as well as from the curtailment of investment and import, which naturally made it more difficult to improve competitiveness and join the latest trends in the international modernization of technologies and economic structures.

It is understandable that, after a half decade of slowing economic growth, the individual CEMA countries' five-year plans of economic development for the second half of the 1980's are placing great emphasis on the acceleration of economic growth. However, the less intensive investment program of the past five years provides a weaker foundation for the acceleration of economic growth than what the earlier periods provided. The plans that the individual CEMA countries--with the exception of Romania--have approved for 1986-1990 call for a 2.8- to 4.1-percent growth of national income. Romanian economic policy continues to aim for high growth, surpassing even the actual performances during the past 10 years: it calls for an average annual growth rate of 7.6 to 8.3 percent during the current plan period. From the viewpoint of the regional economic environment's dynamics, then, it is reasonable to expect that the average annual growth rate of national income attained in 1981-1985 can be increased by a percentage point, if the acceleration efforts formulated in the five-year plans are implemented successfully. The growing emphasis in more and more CEMA countries on acceleration as a requirement, and the upward adjustment of the Romanian plan's targets in June of 1986, are unquestionably signs of the political expectations regarding the environment of economic growth. At the same time, however, the possibility provides food for thought that--considering the performance to date in improving adaptability, and the absence of any improvement in the conditions of growth--even the more modest plan targets than earlier may already be causing greater strains.

In the further modification of the conditions of regional cooperation, then, not the changes in the rates of economic growth will be the decisive factor. A much closer interdependence will arise with the changes in emphasis and the new priorities in the individual CEMA countries' economic policies. These will stem in part from the individual member nations' changed scope for maneuvering in the world economy, and in part from the intensive growth track's requirements and interest relations. To a large extent, of course, the five-year plans that became effective on 1 January 1986 may be regarded as a continuation of the economic-policy objectives formulated during the preceding plan period, and as an extension of the earlier economic-policy cycle. But the political and economic-policy developments in 1986 to date already indicate that several CEMA countries intend to employ new approaches to handling the problems they inherited from the past, and are devoting special attention to the emerging new growth-driving forces. Until the essentials for a more reliable evaluation become available, primarily the published intentions of economic policy can serve as a compass for surveying regional cooperation's environment during the current five-year period.

b. Undoubtedly, the spadework for a rearrangement of economic-policy objectives is being pursued the most vigorously in the Soviet Union. In the Soviet economy it is by no means easy to decide what distribution of the resources available for development--i.e., in which direction and in what proportions--can best serve to accelerate economic growth and promote the

economy's structural development, parallel with meeting the requirements of raising the standard of living and improving the performances of agriculture and the infrastructure, or--after their shortfalls in the preceding plan period--of extractive industry and the basic materials industry. The requirements in every socioeconomic sphere are warranted, - satisfying them in parallel encounters constraints on resources. A slow rate of economic growth cannot be reconciled with society's expectations, with the demands for change in spheres outside the economy. A slower growth rate in the more modern, technology-intensive areas would affect unfavorably the prospects of growth in the 1990's and the country's defense capabilities. At the present level of economic development, a substantial share of incremental national income is still being spent on the additional demand for food products. Therefore the development of agriculture is inseparable from both the acceleration of economic growth, and the equilibrating commitments in conjunction with cutting back the currently large-scale export of food. According to Soviet analyses, in the 1980's it is becoming increasingly apparent that efforts to improve the economy's productivity are being hampered by the quality of the infrastructure, particularly of freight and passenger transportation, and of data processing. Very important also from the viewpoint of external economic relations is the development of extractive industry, particularly of the production of sources of energy, as well as of the basic materials industry.

The setting of priorities for the developmental objectives, and the shaping of the directions of development necessitate narrowing the scope of the objectives in certain areas of society's activity.

The nodes of the Soviet five-year development strategy that were revealed in the first quarter of 1986--they were set forth also in the respective reports that General Secretary Gorbachev and Prime Minister Ryzhkov presented to the party congress--indicate that Soviet economic growth will be shifting gears only in the next plan period. To pave the way for this, investment will increase by 18 to 21 percent during the next five years, and the reallocation of resources within the economy will accelerate.

It is no secret to Soviet or other economists, of course, that the acceleration of growth is not simply a matter of investment, but a function of a complex of factors stemming from the system of economic management, interest relations, and the social environment. But the investment targets clearly reflect the changes in the set of strategic objectives, and the consequences that can be expected as a function of the capacity to implement these objectives.

Regarding the direction of the investment targets, it is very significant that, according to the plan's targets, the rate of development in agriculture (3 percent a year) will be lagging only slightly behind industry's rate of development. To attain a grain harvest of 250 to 255 million metric tons, which is planned for 1990, will require very large inputs of resources. In the current five-year period, this offers favorable opportunities for cooperation to the countries participating in the program for the development of agriculture. Pursuant to the standpoint of the 27th CPSU Congress, the Central Committee adopted a resolution in March 1986 on modernizing agriculture and the food industry. The resolution links the expansion of production to

much higher incentives for producers and production managers, greater independence and accountability for the economic units, and more credits for development projects. Improvement of the performances in Soviet agriculture, and fulfillment of the targets for grain and meat production, would of course reduce substantially the Soviet Union's agricultural import. Nor can we disregard the possibility that a worsening external economic situation, in the wake of falling crude-oil prices, may even force the curtailment of dollar-denominated agricultural import, or the necessary steps in that direction.

Structural changes can be expected to accelerate primarily in Soviet industry. Areas of activity in the forefront of technical progress will be given preference over industries that use up natural resources extensively. As a result of modernization efforts, and of the ever greater constraints physical geography is placing on mining, extractive industry's output is to increase by only 11 to 13 percent during the next five years, as compared with 25- to 28-percent growth in manufacturing. In the energy sector, the pillar of the Soviet Union's earlier production structure and of its export, the outputs of petroleum and coal in 1990 are to exceed by only 4 to 7 percent the output levels in 1985, but the production of natural gas is to grow by 25 percent. The share of nuclear power plants, which now account for 10 percent of the national output of electricity, is to increase to 21 percent. In the production of materials, strong growth-driving forces or developmental intentions are evident, in addition to the lumber and paper industries, primarily in powder metallurgy, and in the industries producing metal substitutes, plastics, and ceramics. In accordance with the objectives of the policy on the standard of living, the five-year plan intends to expand the production of consumer goods at a slightly faster rate than the production of producer goods. The objectives relating to complete mechanization, electrification and the widespread application of electronics indicate that the machine industry will again be the main engine of economic growth in the coming years, to an even greater extent than in the past.

Naturally, the accelerated modernization unfolding on a wide scale will require larger inputs of resources into the economy. Unless the ratio of consumption to capital formation is changed, the planned 3- or 4-percent annual growth rate will hardly be able to make additional resources available to society. Understandably, the resolution that the party congress adopted on the 12th Five-Year Plan focuses attention on the possibilities of mobilizing the economy's internal reserves, and it emphasizes that a radical change must be wrought in the economy, by accelerating the progress in science and technology, retooling and modernizing plant and equipment, using production capacities intensively, perfecting the system of economic management and the economic mechanism, and establishing a high degree of organization, order and discipline.<sup>3</sup>

The Soviet economy undoubtedly has very substantial reserves for growth, but their mobilization is very time-consuming and its impact, in terms of making additional resources available, makes itself felt only with a certain time lag. Thus the international environment's development during the five-year period is very important from the viewpoint of resources. Defense expenditures have been a heavy drain on the Soviet economy's resources even up to now. Naturally, the more technology-intensive phase of the arms race since



the late 1970's is increasing the specific costs of military defense capacity and the costs of keeping up with the rapid race in military technology. The success of the negotiations on arms reduction would unquestionably free considerable resources, but the outcome of the talks is still in doubt. The importance of possible partial agreements would be indisputable from the viewpoint of normalizing the climate of international relations. During this five-year period, however, the impact of such partial agreements on freeing resources would necessarily be limited.

The Soviet Union's international borrowing again began to increase in 1985. This has raised, among others, also the assumption that the international situation's normalization could create, similarly as in the 1970's, favorable conditions for increased Soviet borrowing from the West, or rather for attracting a larger volume of external resources. During the past 10 to 15 years, the international money markets consistently gave the Soviet Union a high credit rating, and the amounts of the loans were determined essentially by the Soviet Union's intentions at the given time. In 1981-1984, the Soviet Union reduced its net foreign-exchange debt by roughly one-third, but in 1985 this debt rose very significantly in the wake of Soviet intentions to stimulate growth: even before petroleum prices began to fall, the Soviet Union's net foreign-exchange debt was higher than a decade earlier. Naturally, the falling prices in late 1985 and in the first half of 1986 have further increased the demand for external financing. The prediction is by no means bold that the international money markets on their part would be willing to even double the 1985 increased volume of borrowing. It should be noted, however, that even the borrowing in 1985 covered only 1.5 percent of the Soviet Union's investment budget. Not even twice or three times this order of magnitude would produce a quantitatively significant increase in available resources. And we must also bear in mind that the state of the international money markets is not the same as the situation that evolved in the 1970's. The developed capitalist countries' ability to absorb the supply of loanable funds has increased; and the interests attached to stabilizing the international monetary system are diverting, more so now than in the past, the flows of loanable funds to those Latin American and Asian countries that borrowed heavily in the 1970's and are facing financial crises in the 1980's.

From the viewpoint of resources, then, it is reasonable to expect that the individual CEMA countries' cooperation with the Soviet Union will be influenced increasingly by the various forms that transmit the flow of financial and technological resources. The partner countries and partner enterprises whose financial and technical resources can contribute toward the faster realization of individual Soviet development plans will become more valuable to the Soviet economy. Cooperation between the Soviet Union and these countries will be linked more closely not only to the Soviet Union's requirements, but also to the ability or opportunity of the partner countries and partner enterprises to provide financing and to transfer technology.

The possible developments in the Soviet Union's domestic and external economies affect, over and above the new directions and resource-intensity projections of Soviet economic growth, also the direct foreign-trade components of bilateral relations. In 1985, sources of energy accounted for roughly a

third of Hungary's import from the Soviet Union. Accordingly, the developments in the utilization of the Soviet Union's energy resources and Soviet foreign trade in sources of energy affect Hungarian-Soviet trade directly, as well as indirectly. Due to the application of the Bucharest pricing principle, of course, the impact of the fall in oil prices will make itself felt only in stages. But bilateral relations necessarily encounter, even if only indirectly, the requirements and interests stemming from the partner countries' respective general economic and external economic situations. It is noteworthy from this point of view that already in 1980-1984, a period favorable for the petroleum-exporting countries, the developed capitalist countries' share of Soviet petroleum export rose from 38 to 44 percent. In 1984, petroleum accounted for more than 60 percent of Soviet export to the developed capitalist countries; and natural gas, for 15 percent. Soviet foreign-exchange earnings will foreseeably decline in the wake of falling oil prices (in dollars) parallel with the dollar's weakening, and it may also become necessary to offset the losses resulting from lower prices, by exporting more petroleum to the West. And the most simple way of accomplishing this is by modifying the proportions of petroleum export's present breakdown. Consequently, not only the requirements of technology-intensive economic growth and of the international division of labor, but also the interrelations between energy trade and Hungarian-Soviet economic relations make it a matter of primary importance to add new products to Hungary's import from the Soviet Union and to develop new import channels.

c. In relations between Hungary and the GDR, the forms of division of labor in industry that are typical of external economic relations between industrially developed countries evolved already in the 1950's and became dominant in the 1970's. Typical of the foreign-trade relations between Hungary and the GDR is the outstandingly high share of division of labor in the machine industry, in relation to both Hungarian and international foreign trade: in the turnover of trade between the two countries, using the SITC statistical breakdown, the share of the commodity section comprising machinery, apparatus, transport equipment and parts has been over 60 percent for years. Farm and food-industry products account for roughly a sixth of Hungary's export; consumer goods, for an eighth; and materials, for a tenth. Sources of energy, chemicals and building materials account on average for a sixth of the deliveries from the GDR; and consumer goods, likewise for a sixth. Accordingly, roughly five-sixths of the total turnover between Hungary and the GDR may be regarded as division of labor in industry, which is significantly higher than the 65-percent share typical of Hungary's trade turnover with CEMA.

The changes in the world economy's environment in the early 1980's, especially import's (inevitable) general shift in favor of sources of energy, have not spared Hungarian-GDR relations either, and the dynamic development of the 1970's has slowed down somewhat. The new rearrangement of world-market price ratios, which began in the mid-1980's, is creating worldwide conditions favorable for expanding division of labor in industry, and for international cooperation based on such division of labor. However, we must reckon with the fact that, in recent years, the GDR has attained noteworthy results in economic growth and in developing its foreign-policy relations, and thus its scope for maneuvering in foreign policy and in the external economy has

widened. Consequently, its requirements regarding economic cooperation are stricter, and its interest relations in choosing partners are undergoing change.

d. Cooperation with Czechoslovakia significantly influences Hungarian external economic strategy's scope for maneuvering, due to both geographic proximity and the economic relations' order of magnitude. During the half-decade just ended, the slowdown of economic growth, curtailment of investment, and lagging structural modernization in both countries have contributed to the long-term decline of the intensity of cooperation. In addition to Bulgaria, Czechoslovakia has the closest links with East Europe (roughly four-fifths of Czechoslovakia's foreign trade is with socialist countries). Consequently, changes in the environment of regional cooperation are also reflected to a greater extent in the country's general economic development and its bilateral relations as well.

Czechoslovak efforts to accelerate economic growth and gradually modernize the system of economic management are very important from the viewpoint of cooperation during the five-year period. At the same time, the commencing depletion of natural resources, and the changes in the conditions of materials procurement and supply within the region are creating a new situation for Czechoslovak economic growth, which is extremely material- and energy-intensive by international comparisons. The production volumes of coal, lumber, and metallurgical products have already started to decline. But raw materials, fuels and semifinished products now account for nearly half of the export to the West. Czechoslovakia's export capacities for raw materials, fuels and semifinished products will foreseeably shrink as a combined result of the production trends and the interests associated with dollar-denominated export. The expansion of trade hinges on the possibilities of balancing commodity trade within branches, industries and sectors. The results to date of the Czechoslovak efforts to develop agriculture and make the country self-sufficient in farm products introduce also a new element into the interest relations of cooperation, and this naturally reduces our northern neighbor's import demand for farm products.

The acceleration of economic growth will improve the prospects for division of labor primarily in the machine industry. The investment impact of the latest economic-policy decisions to accelerate the process of modernization will generate considerable import demand. At the same time, stronger export incentives than in the past are encouraging the Czechoslovak machine industry to find new opportunities for cooperation also through export.

e. Polish-Hungarian economic cooperation is linked in a peculiar way to the development of Poland's domestic- and external-economic situation. Even under the extremely difficult conditions in 1981-1985, Polish-Hungarian economic relations expanded at an above-average rate. The persisting problems of Poland's domestic and external equilibrium, and the way in which the Polish economy's performance has been developing, continue to hold no promise of quick improvement in the overall situation. In the present environment of the world economy and the region, however, there are signs of growing interest in strategic cooperation that is based on the capacities of Hungary's agriculture and Poland's extractive industry.



f. Essentially the changes in the environment of economic cooperation with the most important socialist partner countries are reflected also in CEMA cooperation. The latter's set of strategic objectives, arsenal of instruments, and mechanism evolved in a historical period when--on the basis of the interrelations and lessons of economic growth in the first half of this century, and of the World War II and postwar efforts to ensure supply--development of the energy base and sources of raw and processed materials, necessary for possible regional self-sufficiency and industrialization, was regarded as the basic task of cooperation. Most of the integration programs, implemented by various methods and under intergovernmental agreements (the programs for developing the production of energy sources and their transportation system, the petrochemical industry, metallurgy, the pulp and paper industry, etc.), focused the main effort in cooperation on the materials and primary-processing industries. The Soviet economy supplied the bulk of regional cooperation's demand for raw materials, energy and processed materials. This type of cooperation was dynamic for about a quarter century, and it accelerated the region's industrial development, but at the same time it also increased gradually the raw material- and energy-intensity of the individual CEMA countries' economic growth, and of their industries in particular. Naturally, the feasibility and expediency of maintaining economic growth based on regional division of labor depended, respectively, on a continuous expansion of the sources of supply, and on meeting the international cost levels. But it was evident, even when the supply of materials and sources of energy was relatively abundant and cheap within the region, that material- and energy-intensive economic growth was placing an increasingly heavy burden on the regional capacities and in the long run would impose gradually stricter conditions of procurement and supply. Therefore the individual member nations increasingly redirected their resources, and their efforts to develop economic cooperation, into the sphere of energy sources and raw materials.

Already since the 1960's, regrettably, the strategy of regional cooperation and the material- and energy-intensity of economic growth have become a self-sustaining process that reproduces at ever-higher levels the shortages in the procurement and supply of materials. The commencing depletion of the worked deposits, the higher costs of developing and working new deposits, and the effects of the changes in the world economy reinforced this process during the past decade. Because of the geographic and geological limitations on exploiting new natural resources, and of the new situation and interest relations in the world market, the Soviet Union suggested already in the early 1960's that, in view of the Soviet Union's own limited resources for development and as a prerequisite for an expansion of deliveries to them, the partner countries would have to assume a larger share of the costs of developing the production and transportation capacities. This cooperation assumed, already in the past decade, diverse forms that ranged from special-purpose loans from the materials-importing countries to construction and installation work performed by them. In the world-economic situation evolving in the 1980's, parallel with the increasing share of materials in export to nonruble-denominated destinations, the interest relations of trade in materials within CEMA underwent further changes. The communique approved by the CEMA countries' 1984 economic summit already formulates the requirement that the countries importing materials must offset their purchases with

deliveries of farm products, structural materials, modern technologies, and good-quality consumer goods, all of which are commodities of at least equal hardness.

In the expansion or maintenance of cooperation, then, the relative importance of the traditional offsetting capacities (in Hungary's case, mostly machine-industry capacities) which evolved in recent decades will decline under the new interest relations. At the same time, the material-intensive economic structure, respectively the maintenance of the region's import of materials and sources of energy, will demand modification of the export structure and will set new requirements for production policy and development policy. The improvement of the CEMA countries' technological bargaining position in their cooperation with the developed capitalist countries makes the acceleration of technological progress a task for CEMA cooperation. Although the program for intensifying regional technological cooperation does not alter the earlier concepts of the national economic plans, being based on their coordination,<sup>4</sup> the indirect retroactive force of the new priorities must not be underestimated. The CEMA countries regard the five main areas of their new R&D cooperation program—widespread use of electronics in the national economy, complete automation, nuclear power generation, development and applications of new structural materials, and biotechnology—as the basic priorities of their cooperation. These priorities must be built into the member nations' five-year trade agreements, and the earlier concepts of their national economic plans may be modified accordingly.

At the same time, the strategy that concentrates more closely on the high-technology industries also raises new requirements regarding the mechanisms of cooperation. When countries exchange primary products, foods, raw materials, sources of energy, chemicals and metallurgical semifinished products that are also quoted on international commodity exchanges, it is relatively simple to plan and account this trade in physical units, and to transact it in the form of various direct barter deals. But high-technology products are far more demanding of the socioeconomic environment, and their research and development, production and marketing presuppose the coordinated collaboration of many socioeconomic activities, with many kinds of input. The greater social complexity of technology-intensive growth also helps to explain why these activities do not lend themselves so readily to direct cost control. Therefore, according to international experience, division of labor in R&D and technology is lively only when it is unambiguously profitable. By now it is clearly evident that a relative technological gap and a loss of position in the international division of labor in technology occur in countries which tax the return on technological risk too heavily.

In the third quarter of this century, cooperation in research and development within CEMA played a significant role in the individual CEMA countries' industrialization, technological modernization, and division of labor in industry. A clear indication of the scale of activity is the fact that about 150 bilateral cooperation agreements between states, ministries or enterprises are in force even now, on more than 2,000 topics. In certain preferential areas (computers and petrochemicals, for example), considerable material resources and brainpower have been successfully concentrated and placed at the service of industrial development. But at the same time it is also undeniable that the R&D base of the modern industries and sectors which the

individual CEMA countries developed during the past decade relied increasingly on resources outside the scope of CEMA cooperation. When measured in terms of the world market's requirements, the competitiveness and marketability of the production units that the regional R&D base developed have not been adequate, and the modern products that have achieved good results in the world market are based mostly on imported Western technology.

Of course, the situation that developed earlier in R&D cooperation can also be attributed to a variety of factors related to organization and the system of economic management. Weak cost and profit incentives presumably played the greatest direct role. The transfer of R&D results, patents and processes free of charge, and prices indifferent to the modernness of the individual technologies or to the technical sophistication of the products may have been advantageous for the technology-importing countries in the long run, but failed to recognize the higher costs, sacrifices and risks of developing modern products.

From the viewpoint of closer technology-intensive division of labor among the CEMA countries, and of the Hungarian economy's or enterprises' adaptation as well, it is of key importance to base R&D objectives and efforts on cost and profit incentives. If the priorities in regional cooperation's set of objectives are combined with pricing that recognizes the R&D results, then the regional scope for maneuvering of the enterprises able to develop and transfer modern technologies will improve considerably. Otherwise the problems of sharing technology on the basis of direct offsets will manifest themselves increasingly.

The growing role of technology-intensive division of labor is creating a new situation also from the viewpoint of cooperation's organizational framework. As we very well know from both practice and the professional literature, it follows from the very nature of the activity that the successful sharing of technology presupposes close and constant collaboration between the enterprise transferring the technology, and the one receiving it. In the case of agreements between governments or ministries, it is very difficult to foresee and regulate the problems in economic and technical cooperation between individual enterprises. The process by which advances in science and technology becomes a productive force is a multistage process embracing five or six major stages of activity, from basic research to after-sale servicing. Accordingly, implementation of the strategy of cooperation in research and development requires that cooperation's organizational structure be articulated also in its depth. It will require no further proof that cooperation "articulated in depth" is not feasible at the level of a central agency, or in general at only one of the levels of research and development (in cooperation between academies of sciences, for example). Until the organizational structure is modified in this sense, therefore, the emphasis on technology-intensive division of labor also means that the economic units, enterprises, interested in R&D cooperation and technology transfer are less able to rely on the agreements concluded at higher levels. Also in cooperation among the CEMA countries, enterprises will have to play a greater and more responsible role in shaping the volumes and balances of trade, and in developing export markets and provenances for import.



It is not possible to foresee at present how far, how fast, and in what form the individual CEMA countries' efforts to streamline their economic-policy objectives and systems of economic management, and to improve economic performance, will unfold. And it is likewise impossible to foresee as yet the extent and intensity of the effect that the economic-policy processes unfolding in the individual CEMA countries will have on the mechanism of CEMA cooperation. There is no reason to assume that the CEMA bodies will be the ones to formulate the new tasks and strategies. On the experience to date, therefore, further changes in the environment of CEMA cooperation will be the net result of the processes and interest relations unfolding within the individual CEMA countries' national economies. But the fact that there have been changes to date and are taking place at present, and the probability of future changes can hardly be doubted. Cooperation with the more important CEMA countries presents in this respect a new and by no means simple dimension of adaptation for Hungary's government and enterprise sphere.

#### **Strategic Objectives of Cooperation's Medium-Term Further Development**

a. The recent highest-level political and economic situation analyses and decisions emphasize that Hungary's external economic relations in the coming years will be based essentially on the intensification of our cooperation with the CEMA countries and, among them, primarily with the Soviet Union. Situation assessments at the highest level pointed out already at the beginning of the decade that "but for our belonging to the socialist world economy, our losses from the external economic changes would have been much greater. At the same time, our opportunities for cooperation are much wider than what we have realized so far. It is our basic objective and duty to explore these opportunities."<sup>5</sup>

In view of Hungary's outstanding sensitivity to the external economy, it is understandable that the Hungarian economic literature on the questions of regional cooperation, and Hungarian economic policy are devoting closer attention to the world-economic components of cooperation between CEMA countries. The economic processes and economic-policy experiences during the past decade, as well as the outlines of the interrelations between economic growth and the external economy which are emerging in the second half of the 1980's, indicate that the Hungarian economy's successful adaptation to the changing, generally stricter, requirements of CEMA cooperation depends to a large extent on the success of Hungary's orientation on the developmental processes unfolding in the world economy. Without taking the realities of the world economy into account, it would hardly be possible to predict and shape mutually advantageous, and scientifically and politically well-founded, cooperation between countries of East Europe.

We have referred earlier to the international processes, and the changes in the world economy, that slowed down and modified the member nations' economic development and their mutual cooperation. CEMA cooperation of the type and orientation that is able to arrest, through joint effort, the discernible process of the CEMA countries' losing their positions in the world economy is in the basic interest of Hungary, as well as of the region jointly. In accordance with the standpoint of the June 1984 economic summit, the individual countries want to improve their positions in the world economy, and to

make their products more competitive, also by developing their cooperation. The set of objectives of a CEMA strategy that is geared more closely to (1) the system of international relations, (2) the principal economic and technical processes of our time, and (3) the conditions of competition, essentially coincides with the points of main effort in Hungary's social, economic and external economic development.

Among the objectives of the joint CEMA strategy that emerges as the combined result of the individual member nations' aspirations, the Hungarian economy's regional scope for maneuvering is enhanced by the increased interest and willingness of several CEMA countries to cooperate with economies heading toward the track of intensive growth. Consequently, so far as the CEMA countries' joint strategy for cooperation is concerned, Hungary's interests lie in accelerating the changeover to intensive development, and in ensuring the necessary conditions for this as soon as possible.

Switching to the track of intensive growth is associated first of all with cooperation's objective of accelerating the progress in research and development. Because the Hungarian economy is very sensitive to the pace and costs of research and development, Hungary--like the other small CEMA countries--can hope to have (at least within the limits of what is reasonable) an R&D base of its own only very narrow in scope. Accordingly, the Hungarian economy is interested in R&D and specialization programs that are modern also by international standards and will create competitive production and export capacities. Accelerating the widespread use of electronics is especially important from the viewpoint of intensive growth. Due to Hungary's paucity of resources and limited domestic market, however, this process cannot rely to any great extent on Hungary's own production base. A fundamental requirement, therefore, is to facilitate as much as possible the importation of electronic producer goods developed at the international centers of technological progress, in its forefront. Indirectly, the products of consumer electronics likewise play an important role in helping to spread the use of electronics in the national economy. Demand for products in this category is increasingly assuming mass proportions, but its supply from dollar-denominated import is very limited already because of exchange controls. At the same time, the advantages stemming from the modernness of the products of consumer electronics are far from being as important as in the case of electronic producer goods. Thus the cost-management interrelations of modernization unambiguously urge the utilization of the specialization and components-production opportunities that the CEMA countries' specialization in electronics offers.

Within the group of CEMA countries, Hungary has above-average experience, capabilities and skills in bioengineering research, development, and practical applications. The intensification of regional cooperation could help to attain the critical mass and level of performance necessary for moving into the world market.

The urgent requirements and capital-intensity of technological modernization explain the behavior of the individual CEMA countries in the course of the national economic plans' coordination, their "general lack of willingness to expand the traditional production cooperations and specializations."<sup>6</sup> In

several traditional areas of industrial cooperation between CEMA countries, even maintenance of the level already achieved counts as a good result. It is likewise warranted to reckon with the possibility that the one-time engine of regional cooperation, division of labor based on exchanging materials for machine-industry products, may not be able to function as a growth-accelerating factor in the coming years. The Hungarian economy, of course, will be needing reliable and expanding sources for the supply of raw materials and energy also in the future. But the extent of this dependence will develop primarily as a function of, respectively, the domestic economic conditions, structural changes, and the material- and energy-intensity.

As a result of the various effects, requirements and constraints, the strategy of cooperating with CEMA countries attributes decisive importance to making cooperation more effective, rather than to the rapid expansion of trade. The improvement of effectiveness, the rearrangement of objectives in accordance with the trends in the productive forces' international development, inevitably requires also a change of approach to the nature of cooperation. The industrialization taking place in the CEMA countries in the third quarter of this century was final-product-oriented. Accordingly, a practice of horizontal cooperation evolved. The exchange of final products is advantageous mainly in the case of primary products, or of products that can be produced even with a few technologies, under the more simple forms of division of labor. In international division of labor in industry, vertical cooperation--specialization in the individual production phases, technological processes and parts--is becoming increasingly common, because ever fewer large countries and large enterprises have specialization advantages in all (or most) successive phases of production and marketing.

Underdeveloped cooperation, within the individual national economies and between individual CEMA countries, has long affected more and more unfavorably the international competitiveness of the CEMA countries' products. Resolutions have been adopted in recent years also at the CEMA level to intensify vertical division of labor. But specialization in the production of parts and subassemblies naturally requires close and direct relations between enterprises, i.e., an environment of economic management different from the present one.

The nature of the problems that have arisen in commodity trade between CEMA countries likewise require changes in approach, and organizational changes as well. The abundant experience of many years shows that Hungarian enterprises are interested primarily in exporting to the CEMA markets, because of the large absorptive capacity of these markets and their less strict requirements than those of the international markets. It has become evident particularly during the past decade that the expansion of cooperation with the CEMA countries is limited by Hungary's ability to import. A sufficiently reliable assessment is not possible at this time of the extent to which the modest expansion feasible in Hungarian import reflects the objective limits of supply in the partner countries, or ignorance of the procurement opportunities and failure to take advantage of them, i.e., the weaknesses of foreign-trade work. A paradox difficult to reconcile in the present situation with our real national economic interests, especially with our equilibrium interests, is that--perhaps in accordance with earlier traditions, or on the basis



of international models--the marketing organization Hungary maintains in the CEMA countries serves primarily the interests of our export. The self-motions of this approach, or rather of this marketing organization, cannot be harmonized readily with macroeconomic management's tasks of ensuring the planned and proportional development of external economic relations, and with the opportunities and demands of the present situation. In this five-year period, then, the import approach must be reinforced organizationally, and the wider presence of importing enterprises in the marketing organization is an important prerequisite for the expansion of relations and the improvement of effectiveness.

Not only the cooperation unfolding in the microeconomic sphere, but also the macroeconomic management of technology-intensive cooperation is prompting a change of approach. For small countries, which are obliged to adapt their external economic relations already because of their size, it is of key importance to determine the objectives and directions of their adaptation, and to formulate appropriate action programs accordingly. In CEMA cooperation, this process can start out first of all from the five-year and the annual trade agreements. From the viewpoint of the economy's plan-conforming operation, effectiveness and social costs, especially important is the shaping of the partner countries' structural-policy cooperation, or structural-policy-oriented cooperation, because this enables them to adapt their economic structures at the least social cost and with the most advantage from specialization.

The feasibility and success of the strategies will always depend in large measure on "purely" organizational questions as well. Cooperation between economic units or countries whose systems of economic management, organizations and practices are founded on identical principles is always smoother than between units with different economic-management and organizational parameters. But as economic history and the experiences of present-day international division of labor demonstrate, this difficult problem is by no means insoluble. Efforts to make more effective and to modernize the systems of economic management have intensified in recent months in several CEMA countries. The rates at which these efforts unfold, and their directions and forms do not reflect common regional traits, but stem instead from the present political and economic situation in the individual countries. Accordingly, Hungary's strategy for the five-year period cannot be based as yet on meaningful changes in the mechanism of CEMA cooperation. In the spirit of "the unity of diversity" that also the 27th CPSU Congress confirmed, therefore, Hungary's strategy of cooperation with the CEMA countries has to include also organizational changes suitable for handling the problems arising from the differences in the individual member nations' systems of economic management, parallel with the Hungarian economy's adaptation to the changes in trade with the CEMA countries and in the world economy. A small country sensitive to external economic relations can ill afford--at least without social losses--to allow its economic units, which are maintaining relations with the various groups of countries, to operate on the basis of principles, interest relations and effecting mechanisms that remain permanently different. To avoid this, a macroeconomic strategy must coordinate the external economic activities conducted under different conditions of cooperation. The solution closest to the logic of the Hungarian economic

reform is one that would (1) expand the enterprise sphere's scope for direct cooperation, (2) increase the economic units' accountability for national-economic tasks, the safeguarding of interests, and modernization, and (3) encourage also in CEMA cooperation the "market-conforming" enterprise behavior that division of labor in the world market demands. During the five-year period, the broadening of the enterprises' scope for maneuvering, and of their authority, will be intertwined unavoidably with the intensification of technology-intensive division of labor, cooperation in research and development, and vertical specialization. The requirement of bilateral balancing also necessitates that the enterprise sphere's accountability for equilibrium be increased. But we must reckon with the fact that ventures aiming at CEMA markets are not of decisive importance today, nor will they become decisive during the five-year period. Although it would be desirable that the Hungarian enterprises act as entrepreneurs, conforming to uniform requirements, also in the socialist markets, it is very doubtful that the overwhelming majority of the Hungarian enterprises participating in CEMA cooperation would be capable of entrepreneurial behavior that coordinates enterprise interests with those of the national economy.

Thus the differences in the systems of economic management may necessitate the establishment of a provenance- and destination-centered organization for cooperation, one that meets the requirements of the Hungarian economic environment's uniformity, and also the requirements of cooperation with countries that have different economic environments. In the Hungarian economics literature, Julia Zala broached already in 1982 the need to establish special institutions able to handle the conflicts arising between the orientation on the external economy on the one hand, and the functional peculiarities of the systems of economic management on the other.<sup>7</sup> Examples from economic history, as well as the processes unfolding in this decade, call attention to the fact that foreign-trade enterprises or cooperation centers, organized according to provenances and destinations, can play a very important "external economic transformer" role in cooperation between countries or organizations whose systems of economic management, levels of economic development and equilibrium constraints differ. For only such organizations have a suitable overview of the costs, returns, and comprehensive interest relations in the expansion of economic relations with the individual provenances and destinations. On this basis they are able to act as public agencies in dealing with the partner countries, and--in accordance with the requirements stemming from the domestic economic environment's uniformity--to assume a cooperation-stimulating and -regulating role toward the domestic economic units. The advantages of such an organizational framework are prominent and clear-cut primarily in traditional commodity trade, in exchanging materials, sources of energy, food products, and mass-produced industrial goods. It will be worth emphasizing once again that such an organizational framework is not a permanent solution, but it is undoubtedly suitable to handle the problems in the present stage of development, or rather in the present situation. For one thing, such an organizational framework can be developed in the present five-year period even if the mechanisms of CEMA cooperation remain unchanged. For another, this organizational framework does not require special rules of the game--different from the ones under which the other sectors of the economy operate--for the enterprises participating in regional cooperation.

b. The importance of the economic strategy for developing Hungarian-Soviet cooperation in the coming years is underlined—over and above the traditions of the past four decades and the dimensional interrelations—also by the fact that the world-economic conditions of the Soviet economy's growth and its external economic interests are changing at a faster pace and more forcefully than those of the small CEMA countries. The Hungarian-Soviet trade agreement for 1986-1990, signed in Moscow on 17 December 1985, contains the main strategic objectives of cooperation for this period. Pursuant to this agreement, the 51-billion-ruble total turnover planned for the five years will exceed by about 50 percent the trade turnover planned for 1981-1985. But the value of the turnover in the preceding half-decade has been increased also by price effects, primarily by the higher energy prices. On the basis of the CEMA pricing principle, the prices of Soviet petroleum and natural gas will decline from 1987 on. At constant prices, the agreement calls for a 3-percent average annual expansion of Hungarian import, and the same rate of expansion of export as well. According to the plan, Soviet deliveries of petroleum, electricity, coke, lumber, cotton and iron ore will remain at their 1985 levels through 1990. The emphasis on shifting cooperation's points of main effort in favor of high-technology industries and activities, by expanding the mutual deliveries of machinery and equipment and through technology transfers, is in the interest of both countries.

The planned cooperation offers a solid foundation for shaping the external economic framework for Hungary's economic growth. It points out that future expansion of material- and energy-intensive economic activities is neither desirable nor feasible also in Hungarian-Soviet division of labor. At the same time, it urges the acceleration of technology-intensive development. However, some of the concepts and targets of Hungarian economic development were elaborated on the basis of the earlier realities (before the Soviet party congress and the fall in oil prices), and this affects also the shaping of the processes of cooperation during the five-year period. When the conditions on which a plan is based change in any country, it needs time to make economic-policy decisions and to adapt the economic processes to the new situation. In a period of changing conditions, it is often difficult even for the given country's leadership to obtain a clear overview of the changes and to identify the finally emerging directions in which the economy is moving. All this is far more difficult for the decision-makers in the partner countries when they are faced with changing interest relations and directions of economic development. The short-, medium- and long-term consequences of the situation changes often differ in their nature, and this does not make any easier the search for ways to handle the problems. When planning strategy, therefore, one must always reckon with the variability of the conditions of cooperation, and have for every situation a suitable economic-policy alternative to fall back on.

It may also happen that the Soviet Union reallocates to other destinations a larger share of its petroleum export (and perhaps of its other exports of raw materials as well), to compensate for the decline in its hard-currency earnings. If this does happen, which would be in agreement also with the long-term trends,<sup>8</sup> then the feasibility of carrying out possible Hungarian intentions to expand import would be in doubt, the burden on Hungarian-Soviet trade in sources of energy and raw materials would have to be eased, and utmost economization on imports would have to be encouraged in Hungary.



However, the changes in the external conditions of the Soviet economy's development, or rather the decline in the Soviet Union's hard-currency earnings, could also lead to developments that would make cooperation with Hungary more important to the Soviet economy. With a structural oversupply in the international market for sources of energy, the relative value of Hungary as a market would automatically increase. A decline of the Soviet Union's dollar-denominated import could raise the value of Hungary's supply of certain farm and food-industry products (at least until the first fruits appear of the Soviet efforts to develop agriculture); furthermore, of the capital goods that are the vehicles of high technology, and of the consumer goods that meet Soviet quality standards.

A possible return of ample and cheaper supply of sources of energy and raw materials would unquestionably lessen, for a short period of time, the costs of maintaining Hungary's material- and energy-intensive economic structure, and would be a temptation to pursue the economy's restructuring and the economic reform at a more leisurely pace. But by no means can the Hungarian economy expect new growth-driving forces from a continuation of energy- and material-intensive specialization. Hungarian energy strategy has centered on a continuous expansion of supply, and--depending on the extent to which the regional demand is supplied, and on the world market's situation and the forecasts at any given time--on cutting back the consumption of one source of energy or another. However, the conditions of the Hungarian economy's growth and the requirements of its modernization are not associated with the expansion of the domestic production and supply base, or perhaps with conserving coal or oil. Instead, they are pressing for a reduction of the economy's energy-intensity, which is outstandingly high also by international comparisons, and for more consistent conservation. The extent to which the regional demand is supplied at any given time cannot meaningfully alter this basic requirement. Incidentally, the assumptions regarding a scarcity of energy that were fashionable in the 1970's were no less well founded scientifically than are the long-range projections of the present situation in the market for sources of energy. A long-term price of 10 dollars/barrel for crude oil is just as impossible in the world economy as a series of oil-price shocks. Throughout the rest of this century, in any event, steel and coal and petroleum will not be the "bread by which industry lives"; this role will be taken over by semiconductors, nuclear energy, and renewable sources of energy. Accordingly, dynamic Hungarian-Soviet economic cooperation, with a favorable effect on economic growth, cannot be expected of strategies that are based on various alternatives of how the situation in the procurement of sources of energy and raw materials will develop in the region. Thus the possible appreciation of Hungary's supply potential makes it even more timely to develop new forms of cooperation, and primarily to uncover new provenances for our import, under a Hungarian external economic strategy that is geared to the changing scope for maneuvering and is implemented with initiative.

The requirements of a longer-term community of interests are associated with more intensive division of labor, with expanding the import of finished industrial goods from the Soviet Union. The share of finished industrial goods within Hungary's import from the Soviet Union is 30 percent at present. Consequently, on the basis of the proportions that have evolved to date, such expansion of import is feasible. As a general principle, of course, it must



be pointed out that the importation of finished products cannot be divorced from competitiveness in the world market, and from the development of after-sale services (supply of spare parts, customer services, continuous R&D), because products that fail to meet world-market requirements are merely a burden for both bilateral and regional cooperation. Viewed sector by sector, there is an essentially defensive community of interests in the case of petrochemicals, the production of which was developed in the 1970's. In the 1980's, the export of petrochemicals to capitalist countries is hampered anyhow by the Western countries' industrial protectionism and their charges of market disruption, as well as by the price-eroding effects of competition that has intensified also with the appearance in the market of the developing countries which derive greater advantages from specialization. The most significant potential driving forces of Hungarian-Soviet cooperation are to be found in the machine industry. Rather than in its traditional composition, Hungarian export of machine-industry products and technology to the Soviet Union can be expanded the most readily and advantageously within the framework of the Soviet efforts to restructure the economy and export. Perhaps the most urgent task of Soviet external economic policy today is to build and expand production capacities for products that will be suitable to replace the export of sources of energy. Hungarian cooperation in the new, export-oriented Soviet development programs is not only of increased strategic importance to the Soviet Union, but it can also provide opportunity for the expansion of Hungarian industry's procurement, by our procuring a certain proportion of the Soviet Union's incremental export. Both the pressure of time and the efficient use of developmental resources demand that division of labor in the machine industry expand primarily as cooperations to produce subassemblies. Multiply export-oriented cooperations are desirable with the Soviet industries that have "good dollar-denominated export prospects" and can expect to market their products for hard currency (with the automotive, computer, and household-appliance industries, for example). Cooperation of this type could best satisfy also the requirements of jointly improving our positions in the world economy. Thus it is important that we monitor how the export-oriented Soviet programs are evolving, and seize the opportunities which will arise when these programs are finalized.

Significant to the Soviet partner are also the forms of cooperation that enhance realization of the latest economic-policy aspirations to modernize the economy and improve its effectiveness. In addition to agriculture and the food industry as already mentioned, the development and transfer of Hungarian software to aid the use of Soviet computer hardware, which is sophisticated from the viewpoint of production technology, for the more complex process-control, optimization and cost-benefit analysis applications could evolve into another significant "cluster" of cooperation. Similarly linked to the more vigorous Soviet priorities in research and development, it would be possible to put to good use also the bioengineering methods and processes that have already been proven in Hungarian livestock breeding and crop production; the know-how that the aluminum and ceramics industries have gained in conjunction with developing new materials; and the level attained in the production of computer-controlled machine tools. To exploit these opportunities, however, the world market's value judgments would have to apply to intellectual products.

Thus the Hungarian economy already has strategic capacities whose inclusion in the system of cooperation, incorporation in trade agreements, and utilization within the framework of specific contracts, could lead to cooperation that is more modern and better coordinated with the two countries' long-term interests. In addition to the greater flexibility of economic policy, however, another prerequisite for this is also reinforcement of the Hungarian organizations', and their personnel's, capabilities and skills to forecast, evaluate and elaborate in general outlines the changing opportunities for cooperation, and to implement action programs that satisfy the requirements of rapid adaptation.

c. The five small European CEMA countries still accounted for a third of Hungary's trade turnover in the first half of the 1960's, but for only 19 percent in 1985. Economic cooperation with them in the 1980's is no more intensive than it was in the rather different political climate of the 1930's. The driving forces of economic policy behind CEMA cooperation, the geographic conditions, and certain historically evolved bonds favor the intensification of cooperation. At the same time, persistence of the limits on supply and of the preferences in trading basic materials, and also the large degree of structural immobility do not support the exaggerated expectations regarding the expansion of cooperation during this five-year period. Due to the diversity of the situations and proposed solutions, cooperation with the small European CEMA countries cannot be developed using the same recipe. The features common to these countries are as follows: in general, their ability to supply materials is declining, due to physical limitations and changing interests; as a result of their efforts to become self-sufficient in farm products, their import demand is declining (Czechoslovakia and the GDR); the practice of direct tie-in sales is spreading (incidentally, it is on the rise in world trade as well); and the range of duplicate production capacities is widening. Thus the points of main effort in cooperation are shifting increasingly, and even during the five-year period, from intersectoral to intrasectoral division of labor, because in the second half of the 1980's the nodes of specialization in the individual small CEMA countries are to a large extent similar or identical.

In some branches of trade in materials, the earlier limits on supply could be eased by the fact that the small CEMA countries are less and less able to export advantageously for dollars their material products, which may alleviate the difficulties of establishing joint interests and advantages in bilateral economic relations.

The countries with declining dollar earnings will foreseeable participate with growing interest in cooperations to produce parts and semifinished products that are suitable substitutes for capitalist import. At a time when investment resources are scarce, such cooperation saves also domestic financial resources, in addition to import. On the basis of these considerations (and from the viewpoint of improving the effectiveness of economic growth), especially the reduction of duplications in the structures of industry could be exploited as a potential driving force behind cooperation. There are very substantial latent reserves for specialization in the fine chemicals industry, the motor vehicle industry, in the production of industrial machinery and equipment, and in microelectronics.

Over and above the production-policy and specialization-policy aspects of co-operation with the small CEMA countries, very important are the measures that aid the harmonization of economic policies. The improvement of cooperation in planning and of the consultations on economic policies, and closer cooperation between enterprises could substantially reduce the social costs of maintaining or developing duplications in the production structures. Such duplications, of course, make for higher development costs and narrower opportunities for mutual cooperation. Moreover, the duplication of supply leads to oversupply, and undermines the small CEMA countries' positions as suppliers, causing them price losses in their nonruble-denominated export. Simultaneous and duplicate development projects produce similar phenomena also on the import side. Through package plans formulated on the basis of mutual advantages, it would be useful to coordinate as much as possible the destinations and conditions of nonruble-denominated export, and the import of licenses, know-how and capital goods. Although it would be desirable to have the specialization and harmonization efforts permeate the entire spectrum of provenances and destinations within CEMA cooperation, even successful agreements with only two or three countries could liberate considerable forces in cooperation.

#### FOOTNOTES

1. Sandor Richter, "Our Nonruble-Denominated Trade With CEMA Countries," KOZGAZDASAGI SZEMLE, No 3, 1981.
2. UN ECE, ECONOMIC BULLETIN OF EUROPE, 1985, p 174.
3. NEPSZABADSAG, 10 March 1986.
4. Y. Antonov, "Cooperation Multiplies Strength," SOTSIALISTICHESKAYA INDUSTRIYA, 13 February 1986.
5. Ferenc Havasi, "Gazdasagpolitika--gazdasagiranyitas" [Economic Policy--Economic Management], Kossuth Publishing House, 1985, p 130.
6. Laszlo Kovari, "The Points of Main Effort in the Coordination of Plans," FIGYELO, 27 June 1985.
7. Julia Zala, "A Possible Course for the Consistent Further Development of Our System of Economic Policy," KOZGAZDASAGI SZEMLE, No 7-8, 1982.
8. From 1973 to 1984, Hungary's share of the Soviet Union's total petroleum export dropped from 6.1 to 4.3 percent; and its share of Soviet petroleum export to CEMA countries, from 10 to 8.5 percent.

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CSO: 2500/173

## SSR: 1986 PLAN FULFILLMENT REPORTED

Bratislava PRAVDA in Slovak 27 Jan 87 p 3

[Article: "Report of the Slovak Statistical Office Regarding the Development of the Economy of the SSR and the Fulfillment of the State Plan for 1986"]

[Text] In the 1st year of the 8th Five-Year Plan, numerous positive results were achieved in fulfilling the economic and social program outlined by the 17th Congress of the CPCZ and by the Congress of the CPSL. The development of the Slovak economy accelerated. In comparison with the 7th Five-Year Plan, greater growth in the formation of material resources and deliveries for final consumption, greater social productivity of labor, and valorization of raw materials, materials, and energy were achieved. It was possible to increase personal and social consumption on the part of the populace, to make more efficient use of manpower resources, and to expand the scientific-technical base and the production-technical base of the economy.

Positive contributions to the development of economy were made by the results of the activity of working people and as a result of socialist competitions conducted in honor of the 17th Congress of the CPCZ, the Congress of the CPSL, on the occasion of the elections to representative bodies, and on the basis of the URO Initiative to lower material costs, increase productivity, and raise the quality of products.

Some deficiencies in the smoothness of the production process, in assuring requirements, in the structure, and in the utilization of intensification factors persisted. Fulfillment of planned intentions in changing the structure of production, deliveries, and in lowering costs exerted an unfavorable influence upon a considerable number of enterprises which failed to fulfill important tasks and inadequately solved problems existing in supplier-consumer relations. The development of the economy was also influenced by deteriorated conditions in foreign trade and in agriculture. As a result, several intentions were not fully realized.

According to preliminary results, the volume of gross domestic product rose by 4 percent in comparison to 1985. A minor deviation from the state plan was caused by the slower growth of efficiency in the reproduction process.



A source of expansion was represented by the growth of production in the sectors of material production. The volume of industrial production rose by 3.8 percent in comparison to 1985 and that of construction activity, by 3.2 percent, a development which was substantially accounted for by a growth in labor productivity. Gross agricultural production rose by 2.7 percent, but, as a result of lower yields, particularly of grain crops, potatoes, and sugar beet, the plan was not fulfilled. Tasks in livestock production were fulfilled as a result of exceeding the plan for bulk buying of the principal types of livestock products.

The valorization process shared in the increase recorded by the creation of national product to an increasing extent. In comparison with 1985, the value of adjusted value added outputs per unit of material costs consumed increased. However, fulfillment of tasks was uneven by various sectors.

In comparison with 1985, economic organizations accounted for higher profits, although profits failed to attain the planned levels. The desirable turnover in development and in the efficiency of utilizing supplies, which rose more rapidly than called for by the plan, was not assured.

The results of scientific-technical development and their utilization in practice did not fully correspond to the needs of the economy, to the opportunities at the disposal of the scientific research base, and did not facilitate a sufficiently rapid growth of technical-economic levels in production.

The state plan for investment work and deliveries was fulfilled. However, fulfillment of several substantive tasks, particularly the adherence to completion target dates for some construction projects and the activation of some capacities, the attainment of design parameters in production with respect to these capacities, and the intent to lower the volume of projects under construction, were not accomplished.

The standard of living of the populace was positively influenced by the growth in personal and public service consumption. The domestic market was better supplied, although consumer demand was not fully satisfied when it came to nonfood products. The capacity for providing services paid for by public funds, as well as those paid for by the populace, expanded. The demands of the population for deadlines and quality of services, however, were not fully met. Intentions were not achieved to the planned extent in housing construction.

In conjunction with the results achieved in fulfilling the plan for the development of the national economy, the Fourth Session of the Central Committee of the CPCZ and the session of the Central Committee of the CPSL adopted numerous fundamental measures to safeguard the state plan for 1987 and for the entire period of the 8th Five-Year Plan. The realization of these measures requires an express strengthening of activity, discipline, and an increase in responsibility for the growth of efficiency and quality in all sectors of the economy.

## Scientific-Technical Development

Of the total number of research and development tasks included in the state plan of technical development, 91.3 percent were worked on in conjunction with the plan. Some 11 tasks planned for completion in 1986 were completed; they include a system of small electronic SMEP-III computers; development of installations and learning the technology for the production of aluminum oxide through the high-pressure breakdown of bauxite; geological research pertaining to possible regions containing petroleum and natural gas; the protection of coniferous lumber for the construction industry.

Of the 436 planned realizational outputs, 91.7 percent were introduced into practice. Of these, virtually one-half are technological in character and 39 percent of the inputs represent machines, instruments, and installations. The planned volume of production based on these outputs was fulfilled 117.2 percent; the higher fulfillment of realizational outputs was based on state goal-oriented programs. The highest degree of exceeding the production volume was recorded in organizations under the Federal Ministry of Metallurgy and Heavy Engineering, the Ministry of Agriculture and Nutrition of the SSR, and the Ministry of Industry of the SSR.

By applying realizational outputs, for example, production of specialized refractory building materials at the Magnezita Plant in Kosice was begun; steel was produced using a new technology utilizing lime from various localities with the possibility of adding fired dolomite at the East Slovak Ironworks in Kosice; an aggregate for ultrasonic bonding was produced at the Institute for the Mechanization of Clothing Production at Trencin; innovative cables allowing core temperatures of up to 70° C and having optimized PVC coverings were produced at the Kablo National Enterprise in Bratislava; a mechanism for measuring integrated circuits was installed at the VUMA Plant at Nove Mesto nad Vahom; control units for a high-capacity disk memory were made available at the Enterprise for Computer Technology at Banska Bystrica; and special polyvinyl alcohol with an optimum molecular mass and viscosity for processing chemical fibers was installed at the Dusla Plant at Sala.

Production of a graphic vector display at the Enterprise for Computer Technology at Banska Bystrica was not accomplished because materials and components were not delivered; similarly, technology for the production of mixtures with a savings of asphalt, and the substitution of sulfur in organizations coordinated by the Engineering Construction Enterprise in Bratislava was not accomplished, neither was the model automatic assembly of disposable injection needles at the Chirana Enterprise at Stara Tura.

The quality and technical level of products, while showing a partial improvement, did not meet current requirements. The share of products having a high technical-economic level in the overall volume of products was 18.7 percent. In comparison with the previous year, this is an increase of 1.5 percent which was largely accounted for by the chemical industry, by the metallurgical industry, by the glass industry, by the ceramics and porcelain industry, and by the textile industry. Results did not improve with respect to the innovation of products and the share of new products in the overall volume of products was only 15.9 percent.

The number of employees of the research and development base in the SSR increased in comparison with the previous year by 1.7 percent to 57,000. Expenditures for science and research grew by 5.6 percent.

Some 284 industrial robots and manipulators were produced, which is an increase of 5.2 percent over the previous year. Their application in production will contribute to the growth of productivity and will contribute toward reducing the amount of physically strenuous work.

The technical creative initiative of workers was oriented toward the requirements of production and toward fulfillment of the plan of technical development. In comparison with 1985, the number of inventions announced rose by 1.2 percent, the number of improvement suggestions by 1.8 percent, and the amount of social benefit also increased. However, the implementation and realization of submitted applications continues at a slow pace.

Scientific and technical cooperation with the USSR and with the other countries of CEMA continued to intensify. The content and scope of cooperation at higher levels increased and was manifested in more progressive perceptions and forms of mutual relations. Preparations for the solution of tasks set forth in the Main Directions of the Comprehensive Program of Scientific Progress in CEMA Member Countries intensified, particularly with respect to the development of nuclear energy, comprehensive automation, development of biotechnology, and new types of materials. The international Czechoslovak-Soviet Robot Scientific-Production Association was established at Presov and a joint Czechoslovak-Soviet laboratory for biotechnology in livestock production was established at Nitra.

### Industry

Industry experienced a more favorable development of quantitative indicators of the plan than of qualitative ones. The volume of adjusted value added outputs grew by 7.6 percent compared to the previous year, which is less than had been planned. This was caused by a larger number of enterprises which failed to fulfill the plan by Kcs 1.7 billion.

Deliveries of products from centrally planned industries grew by 3.6 percent and final sales grew more rapidly. The volume of deliveries for export rose by 5.4 percent, including an increase of 5.8 percent of exports to socialist countries and an increase of 4.7 percent in exports to nonsocialist countries; deliveries to the domestic market increased by 3.8 percent and deliveries of machines and installations for capital construction rose by 11 percent. The remaining deliveries, destined predominantly for production consumption, rose by 2.4 percent.

The state plan of deliveries was fulfilled in all final sales directions. Shortcomings occurred only with respect to assuring the assortment structure of sales and were the result of the failure to fulfill production tasks on the part of numerous enterprises. In a number of cases, economic contracts were not fulfilled.



Gross industrial production rose by 3.8 percent. The plan was exceeded by Kcs 1.2 billion, that is to say, by 0.5 percent, but irregularity in plan fulfillment intensified. Above-plan production of enterprises which exceeded the plan amounted to Kcs 2.7 billion. The shortfall for enterprises which failed to fulfill the plan was Kcs 1.5 billion.

The growth in industrial production was realized in part through a different structure as compared to the plan and the intentions for a more rapid development of sectors and branches intended to apply the results of scientific-technical progress, areas to be less input-intensive and capable of prevailing on the domestic and foreign markets, were not fully realized. The plan of industrial production was exceeded in energy-intensive branches and branches operating on a raw materials-intensive basis, particularly in chemistry, in the food industry, in the metallurgical industry, and in the production of building materials.

A decisive source for the growth in industrial production was labor productivity. Its level grew beyond the volume of adjusted value added outputs by 6.4 percent and assured the growth of this indicator at a level of 85.5 percent; gross production accounted for an increase of 2.6 percent and assured production growth to a level of 71.1 percent. Planned productivity levels based on adjusted value added outputs were not achieved by enterprises in the chemical industry and in the processing of petroleum, in the wood processing industry, in light industry, in health-related production, in the foodstuffs industry, in the extraction of coal, in the production of heat and electricity, in general engineering, and in the electrotechnical industry; coal mining, health-related production, and the railroad industry had a deficit in productivity based on gross production.

The share of total and material costs based on outputs in centrally planned industries in the SSR declined in comparison with 1985, but the goals set by the plan were not met. Wages and other personal costs per 1 koruna of output declined slightly in conjunction with the plan. A substantial turnaround in the utilization of production assets was not achieved, since the increase in basic assets was higher than that in production and the turnaround time for supplies remained at the level of the previous year.

Tasks in industry were handled with a growth in the number of workers compared to 1985 by 1.1 percent to a level of 749,000 employees. The average monthly wage for a worker in centrally planned industries rose to Kcs 3,050 and increased by Kcs 45. Some enterprises exceeded their wage costs in relationship to adjusted value added outputs.

The utilization of available work time on the part of workers in principal activities in industry (90.6 percent) declined in comparison with the previous year, primarily as a result of increased incidences of sickness from 6.1 percent to 6.4 percent. The shift coefficient for workers as well as the shift coefficient for machine work stations remained at the level of the previous year.



Individual branches of industry achieved the following results in developing production:

In the engineering industry, gross production rose by 6.3 percent (the state plan called for 6.1 percent), including a rise in general engineering by 5.5 percent, in heavy engineering by 6.4 percent. In individual sectors, in harmony with planned structural changes, there were further shifts in favor of progressive types of production involving a higher degree of material valorization, particularly metals. Production of cranes, numerically controlled machine tools, industrial and ship boilers, machines and installations for the leatherworking and footwear industry and for the fur industry, shovel and bucket excavators, and cargo trucks rose by more than 10 percent. Additional growth was recorded with respect to the production of health-related equipment, tractors, steam turbines, machines and installations for earthwork, construction work, and road construction, machines and installations for the production of textiles, refrigerators, freezers, automatic washing machines for the household, and steel sectional heating devices.

In the electrotechnical industry, with a growth of production by 9.3 percent, the growth rate of 0.3 percent which had been stipulated by the plan was not achieved. Production of electric motors rose by 31.6 percent, that of transformers by 16.9 percent, that of integrated monolithic circuits, by 49.8 percent, that of digital computers by 88.3 percent. The production of some products in consumer electrotechnics also developed rapidly. However, the production of a number of desired products, such as color television sets was not assured to the extent it had been planned, even though production of these devices increased by 5.7 percent.

In the metallurgical industry, including the extraction of ores, production rose by 1.1 percent; included in this figure was a rise of 1.6 percent in the mining and dressing of ores, a rise of 0.7 percent in the metallurgy of iron, and a rise of 2.7 percent in the production of nonferrous metals. The overall increase was achieved on the basis of a higher degree of finalization in metallurgical production. The production of rolled materials increased by 2.1 percent, that of fine-profile steel by 1.1 percent, that of hot-rolled strip steel by 26.6 percent, that of sheet steel by 3.2 percent, production of forgings rose by 9.7 percent, production of technically pure alumina rose by 4.3 percent. Production of pig iron, blast-furnace ferroalloys and steel declined slightly.

In the fuels and energy industry, production rose by 5.2 percent with the state plan calling for an increase of 4.3 percent. Some 5.34 million tons of brown coal and lignite were mined (the state plan called for 5.6 million tons). Supplies of solid fuels to the population and to the national economy progressed relatively smoothly. While deliveries of fuels to market inventories were exceeded, there were local shortcomings in the delivery of graded coal and briquettes. Toward the end of the year, industry had a supply which was 5.6 percent higher, and coal storage facilities had stockpiles which were 12 percent higher than had been the case the previous year.

With the plan being fulfilled 101 percent, 24.2 billion kwh of electric energy were produced, that is to say, an increase of 7.4 percent over 1985. Production increased in nuclear power plants by virtually one-fourth and production declined slightly in steam electric power plants and, as a result of weather conditions, at hydroelectric power plants. The Jaslovske Bohunice Nuclear Power Plant produced roughly one-half of the statewide production which made it possible to lower the consumption of coal used for the production of energy. Large-scale and medium-scale consumption of electricity rose by 3.7 percent and small-scale consumption, including domestic consumption rose by 2.6 percent. Consumption of fuel for the production of electricity was 0.5 percent higher than planned, but an entire percentage point lower than was the case in 1985.

Overall production in the chemical industry grew by 4 percent (the state plan had called for an increase of 3.1 percent). In comparison with the previous year, production of plastics rose by 3.4 percent, that of nitrogen fertilizers by 37.7 percent, production of automobile tires rose by 12.4 percent, that of PVC floor coverings by 2.7 percent. However, some demands of the national economy and of the populace were not fully met. The volume of health-related production increased by 4.9 percent (the state plan had called for an increase of 8.1 percent).

In fulfilling its plan 100.4 percent, the wood processing industry increased production by 2.6 percent and fulfilled even the qualitative indicators of the plan better than had been the case in previous years. Problems involving the quality of products, their adaptability to real needs, the attainment of planned parameters, and the assurance of production involving new capacities persisted. Higher increments were recorded in the production of hard wood fiber sheets (by 14.2 percent), of wood chipboard sheets (by 5.9 percent), of structures using lumber (by 7.9 percent), of unbleached sulfite and sulfited cellulose (by 6.9 percent), and of furniture made of wood and other materials (by 4.1 percent). While deliveries for final sale were not fulfilled, their volume, compared to the previous year, rose by 2.4 percent, including an 8.9-percent increase in the cellulose and paper industry. The export of furniture fell behind.

Production in light industry rose by 3.7 percent, which is lower by 0.7 percent compared to the state plan. In the glass and textile industry, production rose by 3.7 percent, in the clothing industry, by 3.3 percent, in the leather and footwear industry, by 3.6 percent, and in the polygraphic industry, by 5.3 percent. Problems encountered in assuring the planned development of production were closely connected with shortcomings in the area of better valorization of raw materials, with solving assortment shortfalls in the domestic market. Deliveries to the domestic market in retail prices grew by 4.2 percent and those for export in wholesale prices by 4.9 percent. The glass industry, the clothing industry, the leather and footwear industry, and the fur industry fell behind in fulfilling planned deliveries to market inventories.

Development in the building materials industry took care of the requirements of the national economy. Production rose by 2.2 percent, compared to 1985,

which is a level higher than that called for by the state plan. The production of lime increased by 2.4 percent, that of fired roofing tile, by 22.4 percent; that of ceramic tile, 2.3 percent; production of structural components rose by 2.1 percent and production of refractory brick rose by 2.7 percent. The production of cement remained roughly at the level of the previous year.

#### Agricultural and Foodstuffs Complex

The planned volume of gross agricultural production was fulfilled 98.7 percent, including fulfillment of 94.3 percent in plant production and 102.4 percent in livestock production. In comparison with the average during the 7th Five-Year Plan, the overall volume grew by 4.5 percent, including a growth of 2.8 percent in plant production and 5.8 percent in livestock production.

In plant production, unfavorable weather conditions and even higher use of irrigation than for other years, failed to result in fulfillment of planned tasks in the production of numerous decisive crops. The overall yield of cereal grains was lower by 6 percent compared to the plan, that of sugar beet was lower by 17.3 percent, that of potatoes was lower by 10.8 percent. More favorable results in fulfilling the plan were achieved with regard to yields of oleaginous crops, bulk fodders, and some types of vegetables and fruit.

In livestock production, plan targets were met, even though the numbers of some types of agricultural animals declined, through higher production intensity. In comparison with the herds of the previous year, the numbers of beef cattle and sheep declined slightly, the number of hogs increased by 4.5 percent, and poultry flocks increased by 1.3 percent.

Favorable results were achieved in the production of milk which, in comparison to 1985, rose by 32 million liters with the average yield per cow per year rising by 2.8 percent to 3,577 liters. With average egg production per chicken being higher, 62 million eggs were produced over and above the level of last year. In beef cattle fattening operations, average daily weight increases rose by 2.9 percent and in hog fattening operations, by 0.6 percent. With respect to reproduction indicators, there was a mild decrease in the intensity of calf and piglet weaning compared to the previous year. The level of lamb weaning also remained low.

State inventories made planned volume purchases of 100.1 percent of cereal grains, 99.2 percent of oleaginous crops, 82.7 percent of sugar beets, and 101.7 percent of potatoes. Purchases of vegetables and fruit exceeded those of the previous year. As a result of production increases, the state plan for the purchase of virtually all types of livestock products was exceeded, including above-plan purchases of slaughter animals (0.9 percent), slaughter poultry (2.7 percent), milk (3.2 percent), and consumer eggs (0.7 percent). Planned intentions involving the purchase of slaughter hogs and calves were not met and the shortfall was made up by higher deliveries of slaughter beef cattle.

The volume of production in the foodstuffs industry rose 1.8 percent compared to 1985 and, in comparison with the intentions of the state plan, was higher by 0.4 point. Production of edible plant fats and oils rose particularly, by 20.6 percent, that of meat products, by 4.1 percent, that of egg products, by 10.5 percent, production of cheese rose by 8.2 percent, and production of non-alcoholic beverages rose by 14.1 percent. While consumer demand was satisfied in a smooth manner, the volume of bread production and the volume of consumer milk declined.

#### Forest Management

The tasks set by the plan for 1986 were fulfilled with respect to principal indicators. By extracting 5.6 million m<sup>3</sup> of timber, the state plan was fulfilled 100.8 percent. In the overall extraction of timber, 30.8 percent was wood from disasters, the high percentage of which influenced the structure of timber extraction. By delivering 5.5 million m<sup>3</sup> of lumber, the plan was exceeded. Reforestation took place on 18,900 hectares of land, which was 3.2 percent more than called for by the plan.

#### Water Management

Deliveries of potable water to consumers were 8 million m<sup>3</sup> greater than 1985, that is to say, greater by 1.9 percent. The number of inhabitants supplied with water from public water systems rose by 1.6 percent and the number of people residing in houses connected to the public sewage system rose by 2.4 percent. As a result of low precipitation and several years of failures to fulfill tasks involving water management structures, numerous regions--particularly those in East Slovakia Kraj--suffered disruptions in the water supply. Problems were also caused by high losses of water in the water distribution network.

#### Construction Industry

While the overall volume of work was fulfilled, there were problems involving the smooth continuity of work and in assuring the stipulated structure of the work to be done. There was also considerable unevenness between individual enterprises in achieving results.

Construction organizations performed construction work with their own forces valued at Kcs 33.9 billion with enterprises under the Ministry of Construction accounting for Kcs 24.8 billion. Tasks set by the state plan were exceeded by 0.4 percent. The volume of work was 3.2 percent greater than had been the case the previous year.

In the structure of work performed, the planned volume of capital construction was not fulfilled while the plan for repair work was greatly exceeded. Even with a higher concentration of capacities to perform significant tasks, several construction projects encountered significant problems in assuring a specific volume of work. In the regions of concentrated capital construction, the planned volume of work was exceeded in the North Bohemia Kraj, the plan was not fulfilled in the capital city of Prague and in the capital city of the



SSR, Bratislava. Construction organizations performed work at selected integrational projects in the USSR valued at Kcs 460 million, which is at the level of the adjusted plan.

The volume of adjusted value added outputs reached Kcs 13.3 billion and, compared to the plan, was 1.6 percent greater; in comparison with the previous year, the volume rose by 5.8 percent. Fifteen enterprises failed to fulfill planned tasks valued at Kcs 84.8 million; 4 of these were centrally controlled enterprises, who failed to fulfill tasks valued at Kcs 37.7 million. The overall economy and profitability of construction organizations improved.

Compared to 1985, productivity of labor involved in basic construction activity rose by 2.1 percent, that is to say, it increased by 1.1 points over the level specified by the state plan. The productivity of labor based on adjusted value added outputs was fulfilled 101.7 percent. The growth in productivity shared in the production increment to the extent of 65.6 percent and in the growth of adjusted value added outputs to the extent of 81 percent. Average monthly wages per worker reached a level of Kcs 3,095.

In strengthening the capacities of construction organizations, the number of employees in this sector rose by 2,200 to a level of 202,000 workers.

Utilization of available worktime has, for several years, remained unchanged essentially and reached a level of 90 percent. Similarly, the coefficient of shift work remains roughly on the same level and represents single-shift operation. The share of overtime work is showing a declining tendency.

#### Transportation and Communications

Public freight transportation generally satisfied the requirements of the national economy and moved 249.7 million tons of goods, which was 2 percent higher than had been the case in 1985 (the plan had called for an increase of 1 percent. Railroad transportation accounted for 52.4 percent of total transportation, CSAD highway transportation accounted for 45.5 percent, and water transportation for 2.1 percent with the representation of water transportation rising and that of railroad transportation declining.

Railroad transportation moved 130.8 million tons of goods, which represented an increase over the state plan by 3.2 percent and an increase of 1.6 percent over 1985. Tasks in loadings were exceeded by 4.1 percent, but certain loadings for certain categories of goods, solid fuels, and lumber fell short. Productivity in railroad operations was 1.8 percent higher than called for by the plan and 4.8 percent higher than in 1985. The average turnaround time for freight cars increased to 2.78 days when compared to the plan, but was shorter than had been the case in 1985.

CSAD highway transportation moved 113.7 million tons of goods and failed to fulfill the state plan. Compared to the previous year, the volume of goods transported rose by 2 percent and output in ton-kilometers rose by 3.3 percent. CSAD passenger transportation moved 933.5 million passengers, which was 13.7 million more than in 1985. The culture of traveling remains a problem with respect to passenger transportation.

Waterway freight transportation fulfilled the plan and moved 5.2 million tons of goods; in comparison with 1985, the transportation of bulk cargoes was 10.6 percent greater and output was 10.8 percent greater.

In communications, the number of telephone subscribers increased by 40,000 to 104,600 by the end of the year, a figure including 401,000 telephones in apartments. A telephone density of 20 instruments per 100 inhabitants was achieved. Of virtually 48,000 unsatisfied applications for telephone service, 20,000 are in Bratislava.

### Capital Construction

In the economy of the SSR, capital construction and deliveries (excluding Project "Z" self-improvement items and private construction conducted by the populace) valued at Kcs 54.2 billion was accomplished; this includes construction work valued at Kcs 31 billion and machines and installations valued at Kcs 23.2 billion. The state plan for capital construction and deliveries was fulfilled. Individual substantive tasks were fulfilled in a differentiated manner. The volume of work involving the modernization and reconstruction of projects was low.

The planned volume of capital construction and deliveries was more expressly exceeded in agriculture. Increased volume of investments was directed to the sectors of fuels, light industry, agriculture, and water management.

Construction projects identified as binding tasks of the state plan failed to fulfill their tasks as a result of the failure of the planned mechanical and technological components failing to fulfill their tasks. Slippages occurred as a result of failure to adhere to deadlines with respect to construction preparations, missing deliveries of technological gear, and a shortage of assembly capacities. These reasons caused the failure to fulfill planned target dates with respect to the activation of the above capacities and with respect to completing the construction projects. Of the planned 18 capacities involved in important construction projects, 10 were placed into trial production. For example, the heating plant at the MEZ at Michalovce was activated, as was the Central Slovakia radio communications system on Sucha Hora Mountain, the energy center at the Slavosov Paper Mill was reconstructed; 1,631 hectares of land in the East Slovak lowland area was irrigated and quarters and housing were completed at the Mochovce Nuclear Power Plant.

Planned target dates were not fulfilled, for example, involving construction of the Jaslovske Bohunice--Trnava heat transmission line; the SNP Enterprise at Ziar nad Hronom failed to increase its production of aluminum oxide; the water tower and group water distribution system at Starina 2 was not completed; reconstruction of the sugar refinery at Trebisov was not accomplished; and semiblow asphalt production was not initiated at the Slovnaft Enterprise in Bratislava.

Of the projects not identified as binding tasks of the state plan, the following were completed: the House of Textiles and Clothing at Spisska Nova Ves, the amalgamated purchasing center at Zlate Moravce, the multipurpose sports hall at Presov, and the soda water bottling plant at Komarno.

In the category of machines and installations not included in the budget of construction projects which are identified as binding tasks in the state plan, two modernization projects were completed--the modernization of the mixing line at the ZDA at Partizanske and a project involving the boiler plant in the 1 May Rubber Works at Puchov.

The volume of capital assets obtained through investment construction increased compared to 1985, but the plan was not fulfilled. The limit of budgetary expenses of incomplete construction was exhausted. Desired improvements in the development of incomplete construction, which continues to be high and which lowers the overall effect of capital construction, was not achieved.

### Standard of Living

The results achieved in the creation of material resources made possible the assurance of the basic intentions in the area of the standard of living of the populace.

Employment in the economy of the SSR rose by 32,000 and, by the end of the year, some 2.445 million persons were employed. The largest increment in workers was recorded in industry, in agriculture, in commerce, and in public catering, as well as in health-related matters and in education.

Nominal monetary income of the population achieved a level of Kcs 134.4 billion and rose by 3.9 percent in comparison to 1985. Real per capita monetary income increased by 2.7 percent. Overall income based on working activity was higher by 3.3 percent. Within this framework, income from wages rose 3.1 percent with higher wages for workers in the socialist sector of the national economy, including unified agricultural cooperatives, by 1.7 percent, and wages rose to Kcs 2,953 per month. Compared to 1985, social income rose by 2.8 percent.

Monetary expenditures by the populace were higher by 3.1 percent compared to 1985 and reached a level of Kcs 128.2 million. The increment in savings and cash rose to Kcs 6.2 billion.

The retail trade plan was fulfilled and, in comparison with the previous year, the turnover in current prices increased by 3.5 percent. Planned intentions were not achieved in the structure, because turnover in nonfood items grew at a slower rate and the sale of foodstuffs grew more rapidly than had been anticipated in the plan. The level of retail prices rose by 0.7 percent; the physical volume of turnover (that is to say, after exclusion of price changes) grew by 2.8 percent.

Overall, the supply of foodstuffs to the population was smooth. In material quantities, the sale of fish, potatoes, rice, tropical fruit, nonalcoholic beverages, beer, tea, and coffee was expressly higher. In contrast, sales of some types of basic foodstuffs (milk, butter, flour products) declined. This was influenced by the saturation of consumption and by changes in consumer demand for other goods. Consumer interests were not completely satisfied with respect to some types of meat products, dairy products, vegetables, and fruit.

As for nonfood items, demand was concentrated mostly on large-capacity refrigerators, freezers, radios, including recordplayers, color television sets, etc., which was manifested in higher sales of these products. Nevertheless, consumer demands were not fully satisfied, particularly with respect to the structure of available products. The assortment structure did not fully meet the interests of consumers, not even with respect to furniture, washing machines, textiles, and footwear.

Enterprises of local production and services and producer cooperatives fulfilled their planned basic indicator tasks. In comparison with the previous year, the volume of outputs rose by 4.8 percent and the volume of receipts for services paid for by the populace rose 2.5 percent. Receipts for horticultural services were higher, as were receipts for electric appliance repair and for construction activities. Receipts for custom production declined. Overall, the anticipated improvement in the service area was not achieved. The population need for locally accessible services, for product quality, and for delivery deadlines was not satisfied.

In all forms of housing construction, 31,500 apartments were turned over for use, including 6,300 as a result of communal activities, 14,900 as a result of cooperative activities, and 9,400 as a result of construction of single-family houses. The plan was fulfilled 98.2 percent; in terms of subcontractor deliveries, 98.9 percent; enterprises under the Ministry of Construction fulfilled the state plan. The unevenness of construction activity persisted and, in numerous cases, so did the unsatisfactory quality of finishing apartments and the unsatisfactory level of public facilities and public utilities. Unfavorable results were recorded with respect to the modernization of apartment inventories under socialist ownership, where only 54.3 percent of the plan was fulfilled. Construction of 31,800 apartment units in all forms of construction was begun.

Development of the standard of living was significantly shared in by social consumption on the part of the populace, within the framework of which the funds expended grew by 4.1 percent over 1985 to a level of Kcs 57.3 billion. This was Kcs 11,044 per capita, which is Kcs 373 more than was the case in 1985. Expenditures for the development of health care, education, and social security increased above all.

In the 1986/1987 school year, middle-level specialized training centers are preparing 136,000 students for artisan careers, including 24,000 students who are attending courses which terminate in a maturity examination. Day courses at gymnasiums and at specialized middle schools are attended by 120 students. Advanced schools are attended by 58,000 students, with 8,000 of them studying while they are employed. Nursery schools have accommodated 248,000 children, which is 93.3 percent of the 3- to 5-year-old children.

The bed capacities of health facilities increased over 1985 by 300 beds and now stands at 58,000 beds, of which 38,400 are in hospitals. The number of inhabitants per physician continued to decline and the number of physicians increased to 16,600. The number of places in creches, including microcreches, reached 50,500, growing by 550 places.



Cumulative payments of social security (payments of retirement benefits and hospitalization insurance) increased by 3.4 percent over 1985 and reached a level of Kcs 26.8 million. Payments of retirement benefits rose by 3.2 percent, mostly as a result of the increased number of retirement benefits paid, as well as because of the level of old-age pensions, which latter rose by 1.1 percent. Hospitalization insurance payments cost Kcs 11.2 billion, that is to say, 3.7 percent more than was the case last year; benefits were higher by 10.4 percent as a result of a higher number of people who were unable to work. Monetary assistance to families with children increased by 0.8 percent to Kcs 8.8 billion.

Cultural institutions provided the populace with the opportunity to make suitable use of time through cultural activities and to deepen their knowledge. Slovak film enterprises produced 253 films of which 10 were all-evening feature films for release. Some 18.8 million spectators attended cinema performances. Some 2,966 books were published in 30.9 million copies.

The Czechoslovak radio in Slovakia broadcast 17,800 hours of programming; Czechoslovak television in Slovakia, 7,202 hours of programming, including 3,814 hours of their own programs.

In the interest of protecting the environment, construction of ecological projects intended to lower the contamination of water, of the air, and projects to utilize or eliminate waste products continued.

To realize these intentions, 47 major construction projects are under construction and have a budgetary value higher than Kcs 3 billion. The speeding up of their construction and the assurance of the stipulated target dates for their activation is unavoidable. Unsatisfactory task fulfillment, for example, is being recorded at the following construction projects: the power plant at Novaky, construction of a definite dump for slag at Chalmova 1, construction and incineration of waste materials at Kosice. Construction of the facility to eliminate and utilize exhaust gases at the Kovohute Plant at Krompachy was completed.

Initiative shown by citizens in the interest of further actions to protect and create the environment increased within the framework of the election programs sponsored by national committees.

Through the initiative and voluntary work of citizens in Project "Z" self-improvement actions, facilities valued at Kcs 1,460 million were created, including items worth Kcs 234 million in education, Kcs 215 million in physical education, Kcs 212 million in water management, and Kcs 137 million in commerce and public catering.

In 1986, there were 87,000 births and 53,000 deaths. The population declined by 3,000 as a result of intrastate migrations. There were 38,000 marriages and 8,000 divorces. By the end of the year 1986, the Slovak Socialist Republic had a population of 5.21 million.

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## CSR: 1986 PLAN FULFILLMENT REPORTED

Prague RUDE PRAVO in Czech 27 Jan 87 p 4

[Article: "On the Development of the National Economy and the Fulfillment of the State Plan in the CSR During 1986"; first paragraph is RUDE PRAVO introduction]

[Text] Prague--The CTK Press Agency has published the report by the Czech Statistical Office on the development of the national economy and the fulfillment of the state plan for the Czech Socialist Republic during 1986.

The development of the national economy was positively influenced by the broad expansion of the activity of working people, which was manifested primarily in the increased pace of economic growth as well as in further progress being made with respect to the intensification of the national economy. Industrial production, construction, agriculture, and the outputs of additional sectors expanded at a dynamic rate.

The transition toward realizing the long-term economic strategy set forth by the 17th Congress of the CPCZ, which was based on the intensification of the economy, on increasing the efficiency of production and the quality of all work has, however, been progressing at a slower pace than had been anticipated. It was not possible to achieve a fundamental turnaround in lowering material, energy, and labor inputs per unit of attained results. The share of intensification factors in the increment of national production lagged behind planned figures.

This was manifested particularly in the failure to fulfill the plan for adjusted value added outputs and tasks involved in improving the profitability and productivity of labor in industrial organizations under the jurisdiction of the CSR Ministry of Industry. Problems, primarily based in the sector involving supplier-consumer relations persist, as do those involving the utilization and effectivity of capital assets, problems involving the volume and turnaround time of supplies, and problems involving deadlines for finishing of and parameter attainment with respect to new capacities.

Nevertheless, increases in the formation of material resources resulted in the creation of prerequisites for a higher degree of satisfying the needs of the populace. Popular consumption continued to grow, as did real wages for the

populace and planned volumes in retail trade were exceeded, particularly those involving turnover of industrial goods and services.

Last year, in harmony with the state plan for technical development, organizations based on the territory of the CSR solved 228 research and development tasks. Of these, 98.5 percent were fulfilled within planned target dates and corresponded to technical-economic parameters. In comparison with 1985, there was no substantial change in the level of adherence to planned deadlines and technical-economic parameters.

In production and utilization, some 675 outputs from the state plan of technical development, that is to say, 92.7 percent of the planned number, were applied. Their utilization, for example, resulted in the introduction of the production of mineral fodder additives on the basis of natural zeolite in the JZD Agricultural Combine at Slusovice, the production of hydraulic and gripper looms for unified knots at the Elitex Concern Enterprise at Tyniste, of pneumatic looms in the Zbrojovka Vsetin Enterprise, the production of components for a unified system of residential construction at the Pozemni Stavby Enterprise at Gottwaldov, and a comprehensive progressive technology involving the construction of large subterranean construction projects in the Uranium Mine Construction Enterprise in Prague.

In industries located on the territory of the CSR, new products accounted for 17.2 percent of all production. Products having a high technical-economic level (that is to say, products of the first-quality category and progressive technical products) declined from 36.9 percent in 1985 to 36.6 percent in 1986.

Last year, 0.7 percent more applications for innovative proposals were submitted than was the case in 1985. In practice, roughly 150,000 innovative proposals began to be utilized, that is to say, 2.7 percent more than the previous year. Social benefits resulting from all utilized innovative proposals and inventions amounted to more than Kcs 9 billion.

In the centrally controlled industries located on the territory of the CSR, the state plan for industrial production was exceeded by 0.4 percent and, in comparison with 1985, the volume of industrial production rose by 2.8 percent. The electrotechnical industry, the engineering industry, and health-related production developed on a priority basis. Industries controlled by the government of the CSR, fulfilled their plan 100 percent and, in comparison with 1985, their production rose by 2.5 percent.

Although the planned tasks as a whole were exceeded, 154 enterprises failed to fulfill the plan of industrial production--this is 60 enterprises more than was the case in 1985.

Industries controlled by the government of the CSR fulfilled their planned deliveries for the individual sales programs with the exception of deliveries to the domestic trade market and exports to nonsocialist countries. The valuation of domestic production in exports to socialist countries exceeded planned levels but lagged behind planned tasks in exports to nonsocialist countries. Problems involving the fulfillment of planned reductions of production costs

were manifested in failures to fulfill adjusted value added outputs in industries controlled by the government of the CSR by 4.2 percent; however, in comparison to 1985, the volume of adjusted value added outputs increased by 4.8 percent.

The following results were attained in the individual sectors controlled by the government of the CSR:

In the chemical industry, the production plan was exceeded by 0.2 percent and, compared to 1985, production rose by 3.8 percent. Particular increases were recorded in the production of automotive gasolines (by 6.3 percent), motor fuels and heating fuels (by 5.7 percent), plastics (by 3.4 percent), and synthetic rubber and latex (by 9.3 percent).

In the wood processing industry, the production plan was exceeded by 0.5 percent and, in comparison with 1985, production rose by 3.5 percent. Particular production increases involved the production of deciduous lumber, by 9.8 percent; flat and shaped plywoods, by 1.2 percent; furniture, by 2.8 percent; and unbleached cellulose by 1.2 percent.

Light industry failed to fulfill the annual plan by 0.8 percent despite the fact that production increased by 1.5 percent compared with 1985. For example, production of fabrics made from fiberglass for the electrotechnical industry rose by 4.4 percent, production of canning jars made from glass rose by 14.4 percent, production of carded wool yarns rose by 2.5 percent, and the manufacture of clothing using cotton fabrics rose by 2.6 percent.

The state plan for health-related production was exceeded by 1.2 percent and, in comparison with 1985, the volume of this production rose by 8.2 percent.

In the building materials industry, the state plan was exceeded by 2.1 percent and, in comparison with 1985, production rose by 2.2 percent. For example, increased production involved ground limestone, by 9.7 percent; lime, by 4.1 percent; asbestos-cement sewer pipe, by 10.5 percent; reinforced-concrete pipe, by 11.9 percent; and ceramic and porous tile, by 4 percent.

In the agricultural-food industry complex, the gross production plan for agricultural production was fulfilled 100.7 percent, including plant production, 96.9 percent, and livestock production, 103.5 percent. The intention to accelerate the development of plant production was not fully attained. The grain harvest amounted to 7.129 million tons, which is 371,000 tons less than called for by the plan and 755,000 tons less than in 1985. The planned harvest for rape, fodder crops, and fruit was fulfilled, but the harvest plan for grains, legumes, sugar beet, potatoes, vegetables, and hops was not fulfilled.

Results in livestock production were favorably influenced by a growth in utility. The average daily amount of milk produced per cow rose by 2.9 percent compared to 1985, the number of piglets weaned per sow rose by 1 percent, the average daily growth increment for hogs in a feed status, including those in their prefeed stage, rose by 1.8 percent, and the average daily increment for cattle being fattened was 4.8 percent greater than the previous year. The



average number of eggs collected remained at the same level as for 1985. Planned state purchasing levels for slaughter livestock overall, excluding poultry, was exceeded by 1 percentage point; with respect to slaughter poultry, by 2.4 percent. Some 1.116 million tons of slaughter animals (excluding poultry) were purchased, as were 161,000 tons of slaughter poultry, 4.422 million liters of milk and 2.026 million eggs. The planned targets were exceeded for the purchase of milk by 4.1 percent and for the purchase of eggs by 1.3 percent.

The state plan in the foodstuffs industry was fulfilled 100 percent; compared to 1985, production rose by 1.7 percent. Particular production increases were recorded with respect to refined sugar, by 4.8 percent; raw vegetable oils, by 2.9 percent; killed poultry, by 6.3 percent; cheese, by 2.7 percent; and dairy butter, by 2.5 percent. On the other hand, production declines were recorded with respect to edible plant fats and oils, by 3.4 percent; graded eggs, by 3 percent; and pasteurized milk, by 2.8 percent.

In forest management, tasks connected particularly with the elimination of the results of extensive disasters caused by extraordinary weather conditions in previous years were fulfilled. The plan for the extraction of wood, in harmony with the intentions of the 8th Five-Year Plan, was fulfilled at a level 5.2 percent lower than the actual 1985 figures. In actual fact, the extraction of wood declined by 5.4 percent. Some 13.156 million m<sup>3</sup> of timber were extracted. Some 33,500 hectares were reforested and the reforestation plan was fulfilled 103.4 percent.

In water management, some 1,178 million m<sup>3</sup> of potable water was produced, that is to say, 1.4 percent more than was the case in 1985 and direct consumers were provided with 865 million m<sup>3</sup> of water--23 million m<sup>3</sup> more (2.7 percent) than was the case in 1985. Despite the increase in deliveries, regulatory measures in delivering potable water and involving substitute deliveries to the populace had to be applied in some regions. Losses in the water distribution network declined. The share of the populace supplied from public water systems rose and reached a level of 80.1 percent; the share of inhabitants living in houses connected to public sewage systems rose to 71 percent.

Overall, construction met its planned targets. Construction enterprises headquartered in the CSR fulfilled the state plan for construction work executed with their own forces 100.9 percent and, in comparison with 1985, did 2 percent more construction work. Enterprises controlled by the Ministry of Construction Industry of the CSR fulfilled the state plan 100.9 percent; okres construction enterprises fulfilled their plan 101.9 percent; and the Highway Construction Enterprise fulfilled its tasks 105.2 percent. In areas of concentrated construction in Prague and in North Bohemia Kraj, the planned volume of construction work was fulfilled. Construction enterprises fulfilled the planned number of finished dwelling units 100.1 percent. While the overall plan for construction work was exceeded, some specific tasks remained unfulfilled. Enterprises located in the CSR fulfilled their plan of adjusted value added outputs 100.6 percent; these outputs were 3.1 percent higher than was the case in 1985.

The transportation sector assured the decisive transportation needs of the national economy. The plan for railroad car loadings was fulfilled 104.8 percent. The volume of loadings rose in the group of industrial mineral raw materials by 16 percent and in the group of ores, metallurgical and engineering products, by 4.1 percent. The transportation of goods in bottoms operated by the CSPLD [Czechoslovak Elbe-Oder River Navigation Line] rose by 4.5 percent over 1985 even in the face of frequent problems involving the navigability of waterways.

Passenger transportation on the highways, as provided by the CSAD [Czechoslovak Automobile Transportation Enterprise], rose by 1 percentage point; the volume of goods transported in public highway transportation rose by 2 percentage points. Municipal mass transportation moved 2.54 billion passengers, that is to say, 2.7 percent more than was the case in the previous year. The Prague Metro moved a total of 411 million passengers, that is to say, 23 percent more than was the case in 1985.

In capital construction (excluding Project "Z" [community self-improvement programs] and private construction by the populace), 1986 saw the completion of construction work and construction deliveries valued at Kcs 107.3 billion, that is to say, 6.3 percent more than had been planned. The construction work plan was fulfilled 107.1 percent, the plan for delivery of machines and installations, 105.5 percent. The planned volume of work and deliveries was exceeded primarily in sectors controlled by the Ministry of Agriculture and Nutrition of the CSR, by the Ministry of Industry of the CSR, by the Ministry of Trade of the CSR, by the Federal Ministry of Fuels and Energy, and by the Federal Ministry of Metallurgy and Heavy Engineering. In comparison with 1985, the volume of work and deliveries rose by 2.9 percent. The planned remainder of budgetary costs of construction projects which had not yet been completed by 31 December 1986 was slightly exceeded.

Last year, a number of significant capacities were activated in the CSR; for example, two blocks of the nuclear power plant at Dukovany, a cold-rolling mill for strip steel at the steel mill at Kraluv Dvorec, a process for the intensified processing of lead scrap at the metallurgical plant at Pribram, blasting equipment at the Zbrojovka Enterprise in Vsetin, the production of pure gases at the Lachema Enterprise in Brno, and the malt factory at Nymburk. However, it was not possible to activate all capacities within the planned target dates.

Heightened initiative on the part of the populace during the period of the 17th Congress of the CPCZ and during the elections to representative organs contributed to Project "Z"-type creation of facilities valued at a total of Kcs 2.9 billion. For example, 25 water purification facilities were obtained, 130 food sales facilities were created, 24 health centers were established, 30 water reservoirs were built, and 90 playing fields were created.

All forms of housing construction accounted for completing 46,708 dwelling units. Tasks contained in the plans of national committees remained underfulfilled by 3.7 percent. Projects lagging the farthest behind included cooperative self-help construction and individual construction of single-family

houses. In contrast, planned tasks were exceeded in construction delivery work. During 1986, construction of 51,606 apartment units was begun and fulfillment of the plan administered by national committees fell short 2.4 percent. Construction of technical projects and of public facilities remained at the level of the preceding year.

Income for the population of the CSR rose by Kcs 8.7 billion compared with 1985, that is to say, by 3 percent. Wages rose by 2.5 percent, income from agricultural activities by 4.2 percent, social transfer payments rose by 2.2 percent. Average monthly wages of a worker in the socialist sector of the national economy of the CSR reached a level of Kcs 3,056 and, in comparison with 1985, were Kcs 44 higher. Deposits by the populace in the Czech State Savings Bank increased by Kcs 10.4 billion, that is to say, by 6.9 percent. The overall status of savings deposited by the end of the year was Kcs 161 billion, that is to say, an average of Kcs 15,563 per inhabitant of the CSR.

The populace used the decisive parts of their income to make retail purchases. The retail trade turnover of the principal commercial systems was 2.3 percent higher than was the case in 1985. Turnover in the commercial network and in public catering increased the same amount. Planned turnover was fulfilled 100.6 percent.

Food supplies were at a good level. In the assortment of industrial consumer goods, the satisfying of the demand for sports footwear, some cotton products, cosmetics, drugstore and paper goods, glass, porcelain, school products, etc., improved. However, consumer interests were not adequately met with respect to deliveries of electrotechnical and engineering goods in particular demand, the market was not assured of the full spectrum of the assortment of textile goods and footwear, and shortcomings in the organizational activity of commerce persisted.

Last year, the pace of paid services continued to increase and planned tasks were exceeded. Among the types of services monitored, the fastest increases were experienced with respect to the repair and maintenance of automobile tires. Interest in special-order production of consumer items declined.

The further expansion of some types of services performed by local production and service enterprises and by production cooperatives was seen in 1986. However, shortcomings in the uniform distribution of the service network and in its accessibility persist. The level of the work performed by service enterprises is unfavorably influenced by the shortage of some spare parts and by modern measuring equipment.

In health facilities, the overall bed capacity by the end of the year was 137,500 beds, of which 84,700 were in hospitals. The number of inhabitants per physician further declined from 275 in 1985 to 270 persons. By the end of the year, there were 73,000 places in creches and creche departments of nursery schools (including microcreches), of which 25.4 percent were in enterprise or cooperative facilities.

In 1986, nursery schools handled 421,000 children. There were 3,115 fewer pending applications for placing a child in a nursery school than was the case in 1985. Some 144,000 students finished attending basic elementary school; 59.6 percent of them were admitted to middle-school specialized training centers, 16.5 percent were admitted to gymnasiums, and 23.9 percent were admitted to specialized and middle-school-level specialized schools. Apprentice facilities were assigned 258,000 students and apprentices, of which 30,000 were engaged in 4-year courses of study ending in the maturity examination. Day students at gymnasiums, at specialized and middle-school-level specialized schools numbered a total of 223,000, and 111,000 students were enrolled in advanced schools.

In 1986, some 4,060 books were published (in 1985, 4,004) and the total tirage for these titles was 71.3 million copies. Public libraries loaned 73.5 million books and periodicals, that is to say, 6.3 million more than was the case in 1985. Film performances were viewed by 59.7 million customers, theater performances by 6.8 million patrons, and museums were visited by 9.5 million persons.

Cumulative social security payments rose by Kcs 1.5 billion over 1985, that is to say, an increase of 2.6 percent. Pension payments amounted to Kcs 38.6 billion, that is to say, 2.3 percent more than for 1985; hospital insurance payments amounted to Kcs 20.9 billion, that is to say, 3.5 percent more. Supplemental payments for children attained the same level as the year before-- Kcs 10.4 billion.

Last year, considerable attention was also devoted to the protection of the environment. In the CSR, a number of ecologic projects were created, for example, wastewater treatment plants to protect the purity of water were built at the Iron and Wire Mills at Bohumine, at the Fruta Plant at Veseli nad Luznici, and at the East Bohemia Canneries and Distilleries at Smirice. Also, construction of the sealing wall at the settlement pond of the Chvaletice Electric Power Plant was completed. To improve the purity of the air, the dust-suppression devices of the rotary kilns at the cement plant at Nove Straseci were redesigned; the odor emanating from expansion gases at the 25 February Fuel Combine in Vresova was eliminated and a gas-fired boiler facility and a high-pressure gas transmission line were created at the Antonin Zapotocky Enterprise at Jaromerc. Also, within the framework of Project "Z," some construction projects to protect the environment were undertaken.

By 31 December 1986, the CSR had 10.345 million inhabitants.

5911

CSO: 2400/130



## OCTOBER 1986 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech No 51/52, 1986 p 2

[Commentary by Engineers Marie Hormannova and Alena Polakova, Federal Statistical Office, under the "Information on Plan Fulfillment" rubric: "November 1986"]

[Text] The existing trends in the development of the basic quantitative and qualitative indicators continued also in November.

On a per workday basis, the attained growth rates of the quantitative indicators in industry and construction were faster than had been planned. In agriculture, there were shortfalls in fulfilling the procurement schedule for slaughter animals and eggs (but the procurement schedule for milk was exceeded). Public freight transport overfulfilled its planned tasks. The planned goals were not achieved in the structure of industrial production, and in reducing unit costs. In industry and construction, fulfillment of the plans for adjusted value added was likewise low. The main trade systems' retail-turnover plan, and the planned goals of export to nonsocialist countries were not fulfilled.

The difference in the number of workdays also influenced these results to some extent: this year there were one workday fewer in November, and two workdays fewer in January through November than during the same periods last year.

For January through November, fulfillment of the annual plan's indicators was as follows: gross industrial output, 91.8 percent; volume of construction work in place, performed by the construction enterprises' own personnel, 91.7 percent; procurement of slaughter animals, including slaughter poultry, 92.6 percent; total import, 87.7 percent; and the main trade systems' retail turnover, 89.8 percent.

In industry, uneven fulfillment of the planned tasks continued. More than a quarter of the enterprises fell short of their November gross output plans, and more than 28 percent (including 40 percent in the electrotechnical industry and 36.7 percent in light industry) fell short of their January-November gross output plans. The production lost at the enterprises with shortfalls exceeded 4.8 billion korunas.

Basic Indicators of National Economy's Development in November 1986.  
Increases Over Comparable 1985 Period (in percent)

	<u>Nov</u>	<u>Jan- Nov</u>	<u>State plan<sup>1</sup></u>
<b>Centrally Administered Industries</b>			
deliveries for:			
- domestic trade			
at wholesale prices	.	2.1	1.8
at retail prices	.	2.0	2.7
- export to socialist countries			
at wholesale prices	.	3.9	3.2
at f.o.b. prices	.	4.6	2.1
- export to nonsocialist countries			
at wholesale prices	.	2.1	6.1
at f.o.b. prices	.	-4.0	-0.3
- other sales for productive consumption and operations, at wholesale prices	.	1.1	.
volume of industrial production (at 1 Jan 84 prices)	0.4	2.8	2.6
average number of employees	0.2	0.5	0.7
labor productivity based on gross output	0.2	2.3	1.9
<b>Construction</b>			
construction work performed with own personnel	1.6	2.5	2.9
average number of employees	0.8	0.7	1.1
labor productivity on construction's basic output	0.7	1.8	1.8
housing units delivered by contracting enterprises	-12.4	-13.0	-26.0
<b>Procurement</b>			
slaughter animals (including poultry)	3.2	0.5	-0.5
milk	4.9	1.7	-2.0
eggs	9.3	0.1	0.1
<b>Retail Turnover</b>			
main trade systems	-2.0	2.2	2.1
<b>Foreign Trade</b>			
export to socialist countries	.	3.6	-0.1
export to nonsocialist countries	.	-6.2	-2.1
import from socialist countries	.	2.9	1.4
import from nonsocialist countries	.	9.6	9.7

1. Relative to actual 1985 results.

Overall fulfillment of the industrial enterprises' January-November plan for adjusted value added was 99.1 percent. Nearly a third of the enterprises reported shortfalls, and their lost production totaled 6.4 billion korunas. Relatively the most enterprises reporting shortfalls in adjusted value added were in the glass, ceramics and porcelain industry, the textile industry, the woodworking industry, and in the leather, footwear and fur industry.

There were shortfalls also in the January-November planned tasks for reducing the total cost and the cost of materials per unit of output, for raising profitability, and for reducing the labor cost per unit of output.

Sales, too, reflected the departures from the planned development in the structure of industrial production. Fulfillment was low of the economic plans, and of the state plan's targets, for export deliveries to nonsocialist countries, at wholesale prices as well as at prices f.o.b. border. This year to date, deliveries for the domestic market developed in accordance with the plan; but deliveries for investments, and deliveries for export to socialist countries, increased faster than what the plan called for.

In construction, the volume of construction work in place that the construction enterprises performed with their own personnel increased by 1.6 percent in November, and by 2.5 percent during the first 11 months, over the same periods last year. Average daily output increased by 6.4 percent in November and 3.3 percent in January-November. The state plan calls for a 2.9-percent increase.

Fulfillment of the economic plans for construction work in place was 99.7 percent in November, and 100.3 percent in January-November. Fulfillment of the production tasks was uneven in construction as well. More than 31 percent of the enterprises reported shortfalls in their January-November plan for the volume of construction work in place. Fulfillment of the plan for the volume of construction work in place that the construction enterprises performed with their own personnel was low during this period at the Federal Transportation Ministry's construction enterprises in the CSR and the SSR, and at the Federal Fuels and Power Ministry's construction enterprises in the CSR. The enterprises under the Ministries of Construction in the CSR and the SSR overfulfilled their production plans.

Fulfillment of the construction enterprises' January-November plan for adjusted value added was 100.6 percent, but nearly a quarter of the enterprises fell short of this indicator in their plans. Labor productivity in construction, computed on the basis of the volume of construction work in place, increased by 0.7 percent in November over the same month last year; and by 1.8 percent in January-November, which is in accord with the annual state plan's expectations.

In housing construction, the contracting enterprises delivered by the end of November a total of 40,426 housing units to the national committees, which is 82.7 percent of the planned annual target.

In agriculture, the November procurement schedule was not fulfilled for slaughter hogs and eggs, but was overfulfilled for slaughter cattle, slaughter poultry, and milk.

The January-November procurement schedule was exceeded for all principal livestock products, with the exception of slaughter hogs. At the end of November, fulfillment of the annual state plan's procurement targets was 96.0 percent for milk, and nearly 95 percent for slaughter cattle and slaughter poultry. The biggest task remaining to be fulfilled by the end of the year

in the procurement of slaughter hogs. In comparison with January-November 1985, procurement during the first eleven month this year was up by 4,100 metric tons of slaughter animals, 4,600 metric tons of poultry, 93.0 million liters of milk, and 2.6 million eggs.

Freight transported by public carriers again rose in November by 3.0 percent over the same month last year. This includes increases of 3.0 percent at the CSD [Czechoslovak State Railways], 2.8 percent at the CSAD [Czechoslovak State Motor Transportation], and 8.2 percent in inland navigation. The economic plan for freight transported by public carriers was fulfilled 104.0 percent in November (including 102.3 percent at the CSD, 105.3 percent at the CSAD, and 106.0 percent in inland navigation).

The January-November freight transportation tasks were overfulfilled, except in inland navigation. The public carriers jointly fulfilled their freight transportation tasks 101.3 percent. This includes 100.9 percent at the CSD, 101.8 percent at the CSAD, and 99.2 percent in inland navigation.

Average daily carloadings, in terms of standard freight car units, rose by 2.0 percent in January-November 1986 over the same period last year. The average turnaround time per standard freight car unit was shortened by 0.7 percent, to 4.15 days.

In domestic trade, the November retail turnover of the main trade systems was lower by 2.0 percent than in November 1985, and fulfillment of the economic plan was 97.1 percent. The economic plan's November tasks for the retail turnover's growth were fulfilled only at the following trade organizations: Cedok [Czechoslovak Travel Agency], Coal Depots, and Restaurants and Lunchrooms.

The January-November retail turnover of the main trade systems jointly was 229.5 billion korunas, which is 2.2 percent more than in the same period last year. The 1986 state plan anticipates an annual growth of 2.1 percent in the main trade systems' retail turnover. Fulfillment of the economic plan during this period was 100.1 percent, but Food Stores, Fruit and Vegetable Stores, and the consumer cooperatives reported shortfalls.

In foreign trade, the existing trends continued. In trade with socialist countries, the state plan's targets were exceeded for both export and import. In trade with nonsocialist countries, the state plan's targets for import were fulfilled, but the targets for export were not.

The currency in circulation on 30 November 1986 was 59.6 billion korunas, as compared with 56.1 billion a year earlier.

1014

CSO: 2400/137



## REGIONAL REPORTING ON EXPORT BARRIERS

## Lower Silesian Export Picture

Wroclaw GAZETA ROBOTNICZA in Polish 25 Nov 86 pp 1, 5

[Article by Adam Kilian: "Results, Possibilities, and Barriers of Lower Silesian Exporters"]

[Text] The news about our foreign trade is disturbing. We are exporting too little. The goods are not processed to a very high level. We are losing out to competitors, because our products are not modern enough. Our annual exports amount to about 300 dollars per capita in our country. This is one-fourth or one-fifth the amount for the GDR, Czechoslovakia, and Hungary. We are near the bottom of the European list.

This year the plan target was for us to export various goods amounting to 6.3 billion dollars to the dollar zone. This figure has been reduced for the second time, and now the word is that exports will bring only 6 billion dollars. The value of imports will reach 4.8 billion dollars, and credit service, the interest to be paid, approximates 3 billion dollars. It is sufficient to present these figures to show the needs for exports.

How are the Lower Silesian exporters doing? Mgr Stanislaw Janik, head of the Wroclaw branch of the Polish Chamber of Foreign Trade, says that during the first 3 quarters of this year the value of exports exceeded 111 billion zloty, about 17 billion more than during the same period last year. Deliveries to western countries exceeded 60 billion zlotys. During the first 3 quarters of this year the growth of exports from Lower Silesia was greater than the national average. Exports in Wroclaw and Walbrzych Voivodships showed the highest rate. In Legnica Voivodship we note a decline, because the demand for copper declined, and the price fell.

The plants of the metallurgical and engineering industry represent the largest share of Lower Silesian exports, 67 percent, and the chemical industry and light industry account for 17 percent. The structure of deliveries varies from one voivodship of Lower Silesia to another. Exports to countries in the dollar zone account for 86 percent in Legnica Voivodship, but about 40 percent in Wroclaw Voivodship, 35 in Walbrzych Voivodship, and 27 percent in Jelenia Gora Voivodship. The labor cooperatives have shown the largest rise in

exports, an increase of one-third. The construction industry has expanded exports by 19 percent, and the crafts and trades, by 25 percent.

These increases do not tell much, however, because the size of exports is small. Plants of the metallurgical and engineering industry have a growth on the order of barely 4 percent, and chemical and light industry, about 5 percent. The same group of enterprises continue to determine the figures for Lower Silesian exports: KGHM in Lubin, "Jelcz," the Swidnice Rolling Stock Plant, "Polfa" in Jelenia Gora, "Elwro" and "Fadroma" in Wroclaw, "Fampa" in Cieplice, "Rokita" in Dolny Brzeg, "Karolina" in Jworzno, "Diora" in Dzierzonow, and "Famago" in Zgorzelec, for example. We should add that KGHM accounts for about 5 percent of all Polish exports to what we call payments area II.

Lower Silesian firms encounter barriers and difficulties to be overcome along the export road, because there are still restrictions that interfere with the effectiveness of exports. We have to pay higher tariffs, and it is harder for us to do business. The terms of trade are unfavorable. To put it another way, what we sell on world markets is cheaper, because the supply and competition are great, but we pay more for what we buy.

Director Janik adds that this is why this year's exports from Legnica are about 8 percent lower overall than last year and 12 percent lower in terms of deliveries to western markets.

Because of payments problems, exporting plants have had their dollar accounts blocked and have not been allowed to make payments out of them. The general national interest dictated this step—there were other more urgent needs—but it upset a great many things. There are no funds to buy the components, materials, and spare parts needed in order to increase the deliveries abroad.

Lower Silesian exporters are asking to have their foreign-exchange accounts transformed into asset accounts, because they want actually to own and dispose of their foreign-exchange currency. The deduction rates should also be standardized, possibilities should be created for shifting hard currency from one enterprise to another, and the system of transferring foreign exchange currency to partners in cooperation should be put in order. Sejm commissions are considering these matters.

A few Lower Silesian enterprises already have their own ruble accounts and want to make the greatest possible use of them, for example, to buy necessary equipment, apparatus, tools, and minor materials. This is important, because in some plants deliveries to socialist countries represent more than half of their exports.

The plants are short of materials. At one time they were promised they would be given priority in supply, but this priority just stayed on the list of requests. There are too many priorities and too little materials. Hence, all savings of materials are significant, and exporters should remember this fact. There is talk about the need to differentiate among tax benefits for increasing export production and, more important, for improving its effectiveness.

In the opinion of specialists, exports must become an economic imperative for us. For now the plants are exporting in order to have some hard currency. They should be exporting to have some profit.

### Exporters Meet in Poznan

Poznan GAZETA POZNANSKA in Polish 4 Dec 86 p 4

[Article by Marek Danski: "Export With Concessions: The Creeping Revolution"]

[Text] The idea behind giving enterprises concessions for exports, that is, granting them the authority to enter into independent trade with the world, was to provide an incentive to nudge our producers out onto the trails of foreign trade. The idea was a logical one too. Hard currency in the pocket. The world wide open. What more could you want?

On the other hand, life tests the most sensible hopes, and although it is obvious that concessions are one of the most fortunate products of the reform, nonetheless, we still have a long way to go to fulfill the hopes tied to them.

Let us begin by presenting the basic facts and figures. In 1982 the concessions issue was regulated by three major legal documents: the February law on the very essence of concessions and two later ordinances setting down the list of goods and the principles and manner regarding the granting of concessions.

Up until now about 400 economic units have obtained concessions. This figure includes 119 socialized enterprises, 29 commercial law companies, 174 individual parties, and others. The disturbing fact that a very small percentage of the socialized enterprises are producers of highly processed goods merits special attention. Furthermore, half of these concessions are "dead," that is, they are not being utilized.

What is the reason for this? I recently attended a very interesting meeting which the Poznan branch of the Polish Chamber of Foreign Trade set up with several dozen concessions exporters from all over Poland to discuss these very problems. I will not fully exhaust the entire richness or complexity of the subject here, but it is worth noting and considering even a few of the major issues.

The first issue concerns the present configuration of formal regulations concerning these concessions. There are many reservations, but frankly there is nothing surprising here. Ultimately such a revolution cannot be an ad hoc act. It is a complicated, lengthy process, which must simply sink in. Without being overly critical, let us note where the problems are by way of examples.

The exporters' major complaint concerning the present solutions go like this. They are being changed too frequently, making it difficult for exporters to adapt to the ground rules, to work out any sort of operating strategy for themselves. Furthermore, these changes all too often play a role that actually hampers operations. Here is an example of the issue of ROD's, a basic economic incentive. In the exporters' jargon, foreign-exchange currency



accounting is being called "money on paper," because actually having the foreign-exchange in the account does not automatically mean having easy access to the funds. Everyone knows the reason for this. The balance-of-payments situation is really difficult, but the fact is nonetheless true. In this situation, for example, instead of building up foreign exchange in the Commercial Bank, which would profit everyone involved, especially the budget, the enterprises more and more are buying the materials and equipment they need under the auspices of trade exchange with partners on the basis of "commodity for commodity" barter, reducing the amount of foreign exchange in circulation. And since I have already mentioned the Commercial Bank, let me recount some other strange things. For example, the bank demands that the enterprises guarantee their ability to repay foreign-exchange credit, but, on the other hand, the bank makes it impossible to do something as simple as, for example, opening bank accounts in Vienna to service work being carried out in Egypt (actually) in Austrian shillings, as is desired by the foreign partners, who have every right to this.

I do not wish here to go into overly complicated solutions, for example, concerning tax breaks, clearing cycles, foreign-currency replenishment, foreign exchange rates, and so on. At any rate, admitting that a very great deal has already been done to make our trading with the world more expensive, we must also admit that perfection is still a long way off, if only in the case where our trade people are urged to travel around the world using our own airline "Lot," whose prices are far higher than foreign carriers. Another example, equally shocking but real, comes from Wroclaw's "Polar," which is showing great promise on the Chinese market, but officials are wondering what to do with the situation, because they do not know whether this is payments area I or payments area II, or maybe even perhaps some sort of third payments area. So they do not know whether to give more support for these exports or less, or perhaps not at all. The only thing is, why create such problems at all?

On the other hand, the real jungle starts at another point, where the exporting enterprises come into contact with the foreign trade enterprises and centers. Anything goes here, and the results are sad.

Everyone knows what it is all about. Contact with the world is always attractive, but by the nature of things the direct producers' access to it limits the omnipotence of the famous intermediate echelon, but nobody will give up a soft spot without a fight. As a result, absolutely senseless things occur, often unpardonable competition between socialized producers and equally socialized intermediaries for foreign markets on which only the latter can and do succeed. Something that cannot be tolerated is for the intermediaries to strike the enterprises below the belt, for example, by circulating rumors that the concessions are temporary, by giving out misinformation on prices, and so on. The concepts have become completely confused. CHZ and PHZ and other foreign trade ministry agencies equate a state trade monopoly with their own monopoly. Charged basically with functions serving the export producers, they somehow cannot forget the 1970's, when as a strong arm of the industrial associations they operated on the principle of "divide and conquer."



Now then we have come to the more general question of whether for the exporting firm it is good business to have a concession and whether concessions are an effective way to step up exports.

Interested parties are agreed on this matter. Merely having concessions in and of itself does not solve anything. Having them may be profitable but only under certain conditions, which I have already mentioned before. Here is the rest.

First, the division of authority and jurisdiction must be unequivocally resolved along with the nature of cooperation between the intermediaries and the firms with concessions or those wishing to export without that privilege. Cooperation is necessary and essential, but not according to the customs described above.

Second, the export start-up situation should probably be resolved again. The first year or 2 is the most difficult for enterprises beginning to engage in export. It is simply that, alongside the fact that the firm lacks experience, it is a year or more before the first foreign exchange flows into the firm's account, but in the meantime the firm must somehow subsist and operate. Third, there is a problem that keeps coming up again and again, the problem of equal opportunity for all those engaging in export or wishing to, for example, in terms of equal access without sources of supply, to goods, means of funding, foreign markets, and the like. Without such a situation, we shall never know who actually is a good exporter and who is not.

Fourth, let us finally resolve the problem of cooperation and the distribution of foreign exchange between final plants and also indirect participants in export and coproducers, who up until now have not had any benefits from this participation but would also like to have a chance to lick a little of this foreign currency honey. Let us resolve the problem of intermediaries and export service for even small firms by the commercial services of enterprises with concessions without looking at the branch of industry or local private interests.

Well, the conclusion drawn from what, by the nature of things, are parallel solutions is that we need the export revolution, but up until now it is at a crawl rather than a gallop. The system of concessions may become an essential incentive of that revolution, but first the shortcomings and difficulties enumerated here must be eliminated. Let us do this as soon as possible.

#### Construction Services Export Problems

Krakow DZIENNIK POLSKI in Polish 21 Nov 86 p 3

[Article by Zbigniew Pelka: "The Way Out of the Recession"]

[Text] There are more and more analyses of the reasons for the breakdown in our exports, especially those to what we call "payments area II." After a good year in 1984, the following year brought about a serious decline in the influx of dollars, or, to be more concrete, in the foreign-exchange surplus, representing the difference between exports and imports. This adverse trend

is also continuing this year, although of course no general assessment can portray the subtlety and specific features of the various individual branches of the economy and areas of economic life.

In the Krakow region, the situation is "differentiated," to use the language of government communiques. About 2 or 3 weeks ago the export data were published. Overall the figures could be worse. Progress was noted in several important branches of industry. The enterprises of our region are showing some growth. Many interesting instances of initiative have been undertaken on behalf of export.

The recession has become worse in one area, though. I am thinking about the exportation of construction services, an area where we had special achievements and wonderful results. "Chemobudowa," "Energopol-2," "Mostostal," and "Instal," a great steel building family, and a dozen and some other firms go together to make up tremendous construction potential, especially industrial construction, and we sold a good share of it at a good price to many countries of the world. In 1985 the export of construction services to the socialist countries was up, but it declined to the dollar zone, by more than 25 percent. Despite the efforts made this year, we were not successful in turning this adverse phenomenon around.

Nor do we note tremendous construction successes at home, even in Krakow, Nowy Sacz, and Tarnow. There is well-justified social bitterness over the rate at which new housing is going up. Public and municipal investments are being excessively drawn out. Therefore it is not surprising that discussion has begun with new force concerning whether we can afford to export construction services under the current conditions. Given the tremendous domestic needs for housing, public health facilities, and the municipal infrastructure, it may be socially unjustified and harmful to export construction potential.

This problem has been raised at many meetings, including those during the elections campaign prior to the Tenth Party Congress and recently before the Krakow party conference. Statements were made by experts, specialists, construction firm directors, and representatives of the working forces. The conclusion was usually the same: progress in the country is not possible unless we export construction services, of course, within reasonable limits. There are a number of arguments for this view. They sound reasonable and are generally convincing.

On the other hand, since the export of construction services is necessary and has a beneficial impact on national figures, why have we been seeing a clear downward trend in this area over the past few years? This question was asked at the above-mentioned important political campaigns and at the numerous commemorations recently held in Krakow in connection with Construction Workers' Day. Many reasons were given for this state of affairs, but the most important ones can be put into several groups.

First, then, the financial regulations do not favor the activation of export activity. Many practitioners and managers are of the opinion that the export contracts should be carried out on the basis of the enterprise's own funds and only in special cases using bank credit. Meanwhile, the development fund

which the various funds have available usually is sufficient to finance only 25-30 percent of the expenditures needed to carry out a contract. Therefore the rest is state subsidy or bank credit, which complicates and prolongs the whole affair.

Related to this is the question of foreign exchange charges paid by the foreign partners. The regulations currently in effect put these sums into the coffers of the foreign trade enterprises, where they disappear without anyone's usually knowing how to withdraw them. A construction firm that has to carry out an order has no access to this money, and therefore it cannot make the necessary dollar purchases that would permit work to begin on the task entrusted to it by the foreign investor.

The central distribution of materials and raw materials has brought about much bitterness and real economic harm. For years there have been promises that the regulations which are extremely backward in economic terms would be eliminated, but the shortage of basic items on the supply market continually delays and defers the necessary decision. This leads to paradoxical if not absurd situations. Basically, each construction firm with serious export intentions should hire a prophetic seer to predict no later than March which contracts in which country can be counted on in the summer or fall, because orders should be placed at the supply centers in the spring for scarce raw materials and other materials, especially steel.

The situation is made still more complicated by the new ordinances and directives which prohibit the enterprises from selling metallurgical materials or making them available to one another. This year only 40 percent of the construction steel needed for export activity will be obtained from the so-called central distributor. Over a dozen interesting and very favorable contracts, for example in the FRG, were carried out only because the decision was made not to adhere to the regulations restricting economic freedom of movement.

In the opinion of the enterprises that are actively seeking foreign markets of sale, the foreign trade centers do not rate very well. Acting as intermediaries between the Polish enterprise and the foreign contract partner, they do too little to protect the interest of the domestic partner, that is, the enterprise. There are already many instances where the foreign party to the contract wavered or flat out refused to pay for the work done by the Polish enterprise, but the foreign trade center had no legal means or guarantee under the contract to exert effective pressure on the dishonest or tardy trade partner.

There is also opposition concerning the customs regulations, which, as I wrote recently, do not permit enterprises to import machinery and equipment needed for export construction. To be more precise, these fixed assets, which are often already very worn out, can be imported, but there is a high customs fee. Therefore, it happens that from the viewpoint of the enterprise's interest, it is more profitable to leave the equipment abroad, although it would be very useful in Poland.



There is a lot of controversy over personnel policy. For the individual, the opportunity to leave the country "for export," means the prospect of a substantial improvement in the standard of living and the accumulation of a great deal of money, which makes it possible to realize dreams which are absolutely unattainable on earnings at home. Therefore, in this aspect the personnel policy related to the conditions for certifying employees for foreign construction must be guided not only by economic and technical considerations but also by social ones. In the enterprises this is extremely difficult and complicated, but now there is a basic question that, in the public view, has an adverse effect on the export of construction services.

This problem is broad and socially very important. It arouses a great deal of emotion and involves much ambiguity. In the construction enterprises that carry on a great deal of export activity, there are detailed internal regulations specifying in rather exact terms precisely who can travel abroad for this purpose, when, and how often. Despite these regulations, however, various things happen. Some people are sent very often to foreign construction sites, although the utility of this travel is doubtful in the eyes of the rest of the labor force. As for the large sums of money, all sorts of tricks and methods are employed.

Measures to counteract these reprehensible practices took the form of a series of directives and regulations which were centrally applicable, that is, applicable to everyone. For example, a five-year break period was introduced for contract travel, but it did not resolve anything. It only caused new problems. For example, it turned out that after work was completed in Czechoslovakia a specialist with a very narrow area of expertise could not go to the GDR, where he had several days' work to accomplish. Therefore people dreamed up various maneuvers to get around the regulation about the five-year interval.

Today the ordinance is no longer in effect. It was cancelled, but, as one of the directors told me, it still happens that certain passport sections have not been informed of the change and are still applying the five-year rule and refusing to issue passports to enterprise employees who have not worked 5 years in the country since carrying out the last foreign contract.

In general the personnel problem is one of the most difficult in the exportation of construction services. Hence, unconventional solutions are sought, for example, through the creation of an experts' pool which takes people from various enterprises for the most sought after specialties.

I have mentioned only a few of the very large number of barriers and difficulties which are holding back the development of construction services exports. I have recently been talking about them, as I have already emphasized, at numerous meetings and gatherings of a working, formal, or academic nature. Regardless of the circumstances under which such an exchange of ideas and views occurred, the conclusions were the same. For the Krakow region, to use the phrase in terms broader than just the city voivodship, foreign orders for complete industrial installations and various sorts of construction services are one of the most profitable forms of export.



The excellent experience which cooperation with the Soviet Union has brought Krakow firms, such as Energopol-2, reflect favorably on national building sites. Last year's discouraging figures and the continuation of the soft trend this year in exports to payments area II have encouraged some and forced others to undertake many management and systems measures to support this type of economic activity. It is true that we shall have to wait for the results. Many difficulties and roadblocks, often of a bureaucratic nature, have already been eliminated, but many still remain.

Even in the months immediately ahead, the number of new contracts signed and the number of inquiries received by the Krakow firms will give us an answer to the question of whether the downward trend has been reversed.

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## COAL DISTRIBUTION INEQUITIES VIEWED

Warsaw TRYBUNA LUDU in Polish 19 Nov 86 p 2

[Article by Ewa Fiala: "Hot Topic: Coal"]

[Excerpts] Coal, like the purpose it serves, is so hot that it burns--particularly in rural areas, but also in small towns and in the districts of large cities where the houses have coal stoves and their own household central heating equipment.

In short, coal is the number one problem, upsetting, irritating, keeping people awake at night, both figuratively and literally, since the consumers are standing in line near the warehouses at night as well. The orderly, disciplined sale and distribution by various local offices does not seem to be enough--people want to watch out for their interests personally, and they do. It is not surprising that with the end of the winter at hand, everyone wants to stay as warm as possible and have something to cook meals on.

Is there really so little coal? Perhaps the mines are falling behind in their efforts? And what is happening in general in the coal market, since for several years now the attempts to bring order and peace have not yielded a great deal?

## Distribution of Coal

How is coal distributed? Last year there were 195.8 million tons of coal available for distribution; 191.6 million tons of this was mined, and the rest was imported--yes!--briquettes and reserves. If we subtract the 36.1 million tons of this that were exported, about 160 million tons thus remained in Poland. If we take that amount to be 100, then it turns out that nearly 67 percent of what we had available was allocated for manufacturing purposes. About 13 percent, mostly hard coal, was allocated for the market, i.e., for heating apartments and public buildings, and for agricultural production--in short, for the fuel warehouses. The remaining 20 percent is divided among communal heating plants, collectively supplied PGR [State Farm] workers, market customers purchasing it directly at the mines, and also those authorized for coal allowances.

It is clear from the presentation of these indicators that most of the coal "goes" to the large chimneys, and that it is in that sphere that the savings are or at least should be made.

Of course, cutting back there in order to give it to the market would be very dangerous, however. Sooner or later, but probably sooner, the market would feel the effects of this. Perhaps there would be coal to buy, but in return there would be an inescapable decline in the supply of other goods, not to speak of energy and so-called municipal heat.

Consequently, there can only be one conclusion: in spite of the opinions that have prevailed for years, we do not have a surplus of coal at all, and it is necessary to conserve everywhere—everywhere that it is processed, converted into heat, electricity, goods, and components of those goods. This also applies to all of the market coal, even though it may only be about 30 percent of the total amount available, since this market coal, especially the 20 million tons (about 13 percent) sold at warehouses, is the best and most difficult to obtain—predominantly the so-called hard coal, which is the most difficult to extract in the seams currently being exploited and with the extraction systems now in use.

### Geography of Shipments

This year's allocations of coal for the market, for the trade network, initially amounted to 20 million tons. In view of the enormous pressure on the GS warehouses, which supply 80 percent of the market customers, and in view of the shortfalls, the total was increased to 21.8 million tons (and thus a growth rate of 14.3 percent). Even this did not satisfy the market, however.

Experience teaches that a plan on paper is one thing, and—sometimes—physical shipments are something else. Not in this case, however. It seems that if you do not count on it, there is more coal. By the end of October, the GS warehouses received 14,770 thousand tons of coal—800 thousand tons more than a year before, and also more of what was most desired—540 thousand more tons of hard coal. The shipments have been regular, and even ahead of schedule by 86,000 tons, and by one day on the calendar.

If one looks at geography, however, things are worse. Some voivodships are privileged, while others have been treated unfairly. The worst off are the Jelenogorsk and Gorzow (6,000 tons and 11 days behind), Pilsk and Tarnobrzeg (7,000 tons and 8 days), and Lublin (10,500 tons and 7 days) voivodships, while the Leszczyn, Ciechanow, Kozalin, Rzeszow, and Wroclaw voivodships are a little better. Overall, in 29 voivodships there have been delays in shipments amounting to about 100,000 tons of coal. At the other extreme, there are 20 voivodships in which the deliveries are well ahead of schedule by both date and tonnage. In the Katowice voivodship they are ahead by 32,000 tons and 29 days, in the Czestochowo voivodship by 22,500 tons and 17 days, and in the Sieradz voivodship by 16,000 tons and 18 days. Coal deliveries in these [20] voivodships have been 140,000 tons higher than scheduled.

It can easily be observed that the regions close to Silesia have the privilege of earlier deliveries. It is also easy to arrive at the conclusion that it will be more difficult to compensate for delays at longer distances. The fuel provider, GS, is not disturbed most by this, however. It is concerned

primarily with the fact that the failure to meet the deadlines will disrupt the laboriously worked out supply systems--by villages and streets, in doses. No one still believes the assurances of the suppliers. Night watches are being started. In short, almost 2 million tons of coal more and the measures organized by the sellers will cease to act as oil on troubled waters. The conclusion is that there must be order. This principle applies to the mines shipping the coal, but not only to them.

### Still a Labyrinth

The allocations per chimney, or for heating and for stoves, are only part of the coal labyrinth, however. In spite of the reduction of the coal rate for contracted pigs from 350 to 300 kilograms, and of the maximum amount of fuel to 15 tons per farm (previously it was 20 tons), a great deal of doubt is being aroused by the long list--about 100 items--giving farmers production authorizations to purchase coal, and perhaps most of all by the amount of these authorizations.

Opinions may differ on how much coal is needed for milk, for eggs, and for wool, and this is not the place to verify them. One thing, on the other hand, is not subject to discussion--farmers' coal authorizations, their number, and their size are based on the principle once accepted, in times when coal was abundant, that fuel is in addition to the purchase price, and with an arbitrary index, taken from the ceiling--1300 kilograms of coal per chimney.

A king's ransom to someone who can even heat a hut on chicken's feet with this, and cook food in the kitchen. An assumption has thus been adopted in advance that farmers' houses will be heated by agricultural production contracted for at the socialized purchasing center. Superficially, this may not appear to be dangerous; in reality, like everything spurious, it is the beginning of a chain of--to put it mildly--extremely varied irregularities.

That is because no contracting institution is interested in an integral portion of a contract like the authorization to purchase coal. There has not yet been any instance of a "protest" against the coal bill by a dairy or produce cooperative, by a sugar mill, etc.

On the other hand, there are frequent cases in which the equivalent of unpurchased coal (3,300 zlotys per ton) is taken out of the cash box in amounts that are far from trivial. There are also cases, not at all sporadic, of trading in coal, which "costs" considerably more in the second market than the equivalent amount. This second market--if we may call it that, euphemistically--in view of its size, brings us at least two truths that cannot be questioned. In the first place, coal is not allocated economically for agricultural production and the heating of homes and other buildings, and in the second place, there is still some sort of channel through which coal escapes, in considerable quantities.

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## SEMI-PRIVATE FRANCHISE SECTOR DEMISE VIEWED

Warsaw ZYCIE GOSPODARCHE in Polish 13 Nov 86 p 3

[Article by Krystyna Gasiorowska: "Why Are the Franchise Operators Leaving?"]

[Text] A franchise operator—that sounds suspicious, especially for various types of inspectorates that visit shops to check on whether they are operating properly.

There are many of these inspectorates, and each one has its own rights and requirements; each one makes an effort to catch the franchise operator committing a fraud, and to impose a fine or surtax. They impose their own demands and proposals on the franchise operators. Last year, one of those social inspectorates proposed "completely eliminating franchise shops, because their owners are becoming too rich." Another one called for "considering the advisability of developing the franchise network." And this is happening precisely in a situation in which the number of such establishments has shrunk so much that it is becoming a disturbing phenomenon.

#### Disturbing Phenomenon?

That is right. The disappearance of franchise shops is a disturbing phenomenon, of which the daily visitors of such establishments are not really aware, while the decision-makers are ignoring it. Such a consent to the elimination of franchises may someday lead to a situation in which it will be necessary to travel to a distant store in order to get basic consumer goods.

Just a few years ago, franchise shops constituted about 40 percent of the total retail network. At present, they are about 30 percent. This means that the franchise is in trouble. How, then, can one propose "considering the advisability of developing" something that is actually disappearing?

Spolem, the main one serving us, currently has 4,400 franchise shops, which means a decline of close to 35 percent in comparison with 1980. One ought to be aware of this fact—that in the course of 5 years, a third of the franchise operators withdrew from trade. It is evidently not all that wonderful for them.

What does a cooperative or an enterprise do when its franchise operator resigns? It takes over the shop again, and it has to reconcile itself to paying extra to keep it open, since these are so-called shortage establishments, and that is why they are leased to franchise operators. It also happens, however, that the cooperative or enterprise cannot take the shop back. The shop is then simply closed...

#### Who Is That?

Obviously everyone can criticize, and also suspect. In the kind of situation in which we currently find ourselves, however, we should rather dwell on how to make working in a franchise more attractive, in order to increase the influx of people willing to do business in that system. Obviously, cases of various types of fraud, concealment of transactions, or falling behind in paying what is due to the parent organization do occur, but in general the franchise operators work well. This is confirmed by official documents of the Ministry of Domestic Trade and Services. Trade establishments are turned over for a franchise, begin to be profitable, and generally provide the enterprises with profits that are twice as high as the rest. Furthermore, it is emphasized, "the employment situation is alleviated," since there is still a shortage of people willing to work in trade.

Who, then, is harmed by the franchise operators, since it is known that they yield profits for enterprises and cooperatives, and the customers have a larger selection of goods there, because these establishments can also be supplied from private sources? Why is it that they have lemon juice, for example, and the state shops do not? Someone will say that it is expensive. Of course, since it is privately imported.

It is clear that a good, competent franchise operator earns more than the average worker in a state job. But someone who works like a dog all day long really does earn a lot.

Entrusting an establishment to an franchise operator does not mean that it is being reprivatized, because he is doing business in the name of and under the sign of an enterprise or cooperative, from which he rents the premises. It is possible to cancel a contract with him, even effective immediately, if he operates dishonestly. People who are excessively suspicious claim that these are bloodsuckers and crooks. On the other hand, in general, in the opinions of the customers obtained on the basis of surveys, the predominant view is that there has been an improvement in shopping conditions in a clear majority of the establishments that have been turned over to franchise operators. Since everyone has thus done so well with the franchises, why is it so bad, and why are the franchise operators leaving?

The franchise operators resign mainly because of bureaucracy and the treasury. Some of them say, in fact, that they cannot cope with the paperwork, and would have to employ an additional person for it, since it is necessary to conduct arduous bookkeeping. Receipts and expenditures must be accurately recorded. In grocery stores, it is necessary to record, for example, every loaf of bread that is sold, while in the meantime a line of customers want to be served

quickly. That is why it also happens that franchise operators take a risk and do not keep such records.

"After all, we are reporting the turnover," they say. The invoices for the goods purchased by them go through Spolem. Besides, a purchasing agent comes to the shops and collects the orders. Then the franchise operator pays the money to the bank, from which it goes through Spolem to the wholesale firm or the state producer. Often the franchise operator cannot pay for the goods himself, since the state producers are afraid of dealing with franchise operators, and they do this instead through Spolem. Additional bureaucracy, a loss of time, and drudgery are the result. The franchise operators call traveling to the wholesale firm with proof of payment "stupid work," since they do not receive the goods, but rather an invoice. Then the goods come to their shop in the cooperative's truck...

There is a burdensome obligation to keep detailed records of sales, tax books, and obviously commercial books—if a given turnover value is exceeded. Shops selling manufactured goods are in addition obligated to keep a file of receipts with lists of individual products, subdivided by source of supply: private, state, etc. If a candidate for trade is not confused by all of this, he remains a franchise operator...

### Equal Rights

Previously, such bureaucracy did not exist. It was only the financial regulations of January 1984 that made franchise operators' obligations equivalent to private initiative, introducing the obligation to keep tax and commercial books if the turnover exceeded a certain amount, depending upon the branch. Now we have the year 1986, and prices are changing, but this threshold freeing the franchise operator from paperwork is not being raised.

These are the requirements that have caused the widespread departure of franchise operators from trade. It was only recently, in September 1985, i.e., two years after the introduction of these regulations, that the finance ministry sent a letter to the tax chambers and offices informing them that in January 1987 it intended to raise the amounts obligating franchise operators to keep books, and suggesting that until that time the offices themselves provide reductions.

Obviously, Spolem says, it is hard to imagine any tax office doing this of its own will, since it is well known that sometimes more is demanded from franchise operators than from private initiative. A craftsman, for example, settles accounts with the Tax Chamber once a year, through his cooperative. A franchise operator, on the other hand, has to run to the Tax Chamber every month with a corresponding turnover statement and pay the tax. Private shop owners keep one record, while franchise operators, in addition to the books for the tax office, must have separate ones for their enterprise or cooperative...

The special interagency group established to propose different forms for operating franchises that would promote their development has been working too long. That group is composed of representatives of the Ministry of Domestic

Trade and Services, state trade, Spolem, Peasant Self-Assistance, the Planning Commission, the Ministry of Finance, the Ministry of Labor, Wages, and Social Affairs, the Federation of Consumers, and PIH [State Trade Inspectorate]. It would be good if this group could make appropriate decisions before all of the franchise operators leave trade...

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## COMMENTARY ON ORGANIZATIONAL CHANGES ALONG TRADE LINES

Warsaw ZYCIE GOSPODARCZE in Polish No 44, 2 Nov 86 p 16

[Article by S. C.: "Organizational Structures"]

[Text] This obviously has to do with organizational structures in the economy. This subject is arousing quite a lot of passion, and has its own social and political undercurrents, although people are mostly fencing with arguments about the effectiveness and efficiency of one solution or another. A great deal has been written about this subject, and at present the discussion has obtained a new impetus with the beginning of the review of structures in the state and the economy.

In reading the extremely diverse statements about this subject, one can see agreement on only one issue--no one is satisfied with the present organizational structure of the economy. The reasons for the dissatisfaction are very different, however. Some people think that the present structure is too diffuse, making it possible for an enormous number of economic entities to conduct their own production, investment, and employment policies, etc.; this prevents effective management of the economy, leads to the dispersal of resources, and wrecks coproduction ties. The list of arguments is long and generally well known, and there is consequently no point in repeating it. Others, on the other hand, think that the economy is too monopolistic, and that in practice economic entities have too little autonomy, which prevents improved efficiency and the operation of economic mechanisms. Further arguments are often added to this--that it is necessary to change the structure of the central administrative body, since this is viewed as one of the reasons for the disadvantageous state of affairs.

We are obviously simplifying the whole problem. What I want to do, however, is show that regardless of the sharp discussions and the enormous difference in views, certain structural changes are continually occurring in practice. They are headed more (at least this is the dominant trend) in the direction of the creation of more or less formal vertical structures of a branch nature, which are thus the structures that are most sharply criticized, and that have an enormous influence upon the consolidation of the disadvantageous structure of the economy, not in an organizational sense, but in a substantive one. The question of why this is happening therefore arises. Can only conservative thinking, the defense by a group of officials of their own positions, have

such penetrating force that it can lead to actions that are contrary not only to general social interests, but also the declared political will and resolutions of the highest party officials, and even the existing regulations?

An interesting attempt to answer this question is given by Prof Andrzej Kozminski in the latest issue of ZARZADZANIE. Simplifying the problem again, one can reduce that answer to the statement that the basis for the revival of sector-branch structures is money's not acting as a universal equivalent and measure of value, and the predominance of the substantive side over the financial side in planning, distribution, and the evaluation of enterprises. Consequently, direct accounting—as Prof Aleksy Wakar called it at one time—in tons, meters, and items (with money used only for aggregates of directly comparable goods) is still dominant over indirect, value-based accounting.

The second reason, and perhaps already a secondary one, is the structure of the central administrative body. At this point I would like to cite the positive proposal by Prof Kozminski, since I personally find it extremely valuable. The author of the above-mentioned article proposes establishing chief economic administration bodies to achieve goals that affect the economy and society as a whole. Examples of these are industrial policy (the development of industry), science and technology policy, housing, environmental protection, etc.

At the same time, being aware that every problem affecting society or the economy as a whole can be solved at this time only at the expense of others—for example, developing industry faster while paying less attention to environmental protection, or the other way around—Prof Kozminski emphasizes that the choice of priorities, of the willingness to realize achieve certain goals at the expense of others, has to be made at a different level—by democratic bodies like the Sejm, with the assistance of various auxiliary bodies, like the Socioeconomic Council or groups of Sejm advisors.

Obviously, even with such a structure for the central bodies, there will be various pressures and conflicts among the problem-oriented bodies, or—perhaps this is a better name—the goal-oriented bodies, since they have to achieve specific goals. But these, as the author says, are conflicts of a different nature than sector-branch conflicts, "better" ones, since they are disputes that are much more intelligible to public opinion, and that therefore yield more easily to democratic decision-making processes; furthermore, this has to do with socially accepted goals. This obviously assumes the possibility of presenting a real economic account, and not a direct account in which by the nature of things economic and social efficiency is pushed into the background, and often actually becomes impossible to define or verify.

It is my opinion that the emphasis upon a closer dependence between the role of the economic-financial system and the form of organizational structures in the economy has great significance just now, when we are aiming at the so-called second stage of the reform.

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**ANDREI HAILS STRATEGY FOR MODERNIZING ECONOMY**

Bucharest SCITELA in Romanian 26 Jan 87 pp 1,2

[Article by Stefan Andrei, candidate member of the Political Executive Committee and secretary of the RCP Central Committee: "The Revolutionary and Profoundly Innovative Strategy of Modernizing and Improving the National Economy"]

[Text] The birthday and anniversary of more than 50 years of revolutionary activities of Comrade Nicolae Ceausescu, RCP secretary general and president of socialist Romania, is a gloriously festive day on which all the people pay ardent homage to their most beloved and respected son and brilliant leader. Speaking with one voice, the workers class, peasantry, intellectuals, and all the people convey to him warmest wishes for a long life, health, happiness, and working strength, for new and great successes in his supremely responsible activities at the head of the party and state, aimed at raising the country to higher peaks of civilization.

The new, refreshing, and revolutionary spirit promoted by Comrade Nicolae Ceausescu after the ninth congress throughout the political and socioeconomic life has brought about the assertion of a dynamic and profoundly creative style, permeated by a great sense of responsibility for the present and future of the fatherland, paving the road for comprehensive and brilliant changes that clearly verify a historical law, namely that new times require a new man with a new perspective.

Since Comrade Nicolae Ceausescu, the founder of modern Romania, has been at the head of the party and state, the nation's courage and faith in its brilliant future have grown in vigor, and new and wide horizons have opened up for its creative capabilities and for Romania's unprecedented assertion in the international arena.

On the basis of an ongoing and thorough study of Romanian realities and of a profound scientific analysis of contemporary social-political and economic life, the party secretary general has ensured the creative application of the general truths of scientific socialism and dialectical and historical materialism to the specific conditions of the country, enriching social theory and practice with a new perspective and with original, daring theses of an



inestimable value, which are greatly appreciated in contemporary social thinking.

With an unparalleled ability to penetrate the essence of phenomena and with the innovative and revolutionary spirit that characterize him, by brilliantly interpreting the Marxist theory concerning the decisive role of the production forces in the process of changing people's way of life and social relations, the party secretary general provided a theoretical foundation for and illustrated in practice the inherent and dynamic interrelation between industrialization, the creation and modernization of the material-technical basis, the development of the national economy, and many-sided socioeconomic progress. "In the final analysis," our party secretary general stressed, "the purpose of industrialization is to ensure the rapid growth of the means of production for the utilization and rapid development of all the branches of the national economy that are vital for meeting the consumer requirements of all the people, and for securing the means of expanded socialist reproduction and the continuous progress of the society." From this perspective, Comrade Nicolae Ceausescu conceived the strategy of Romania's development at the current historical stage, a revolutionary and profoundly innovative strategy that focuses on modernizing and perfecting the national economy. Thus, the objective of achieving a strong and modern production potential emerges, both in principle and in practice, as the essential premise and decisive source for raising the productivity of social labor and better utilizing the natural resources and the huge creative potential of the Romanian people, and for building a highly efficient national economy capable of competing in the international division of labor.

This theoretical basis and clear-sighted policy, the result of a profound understanding of the objective laws and particular characteristics of the process of expanded reproduction, has significantly activated the Romanian people's own creative efforts, in conjunction with an intensive participation in the international economic life. The economic policy of optimal accumulation, by allocating 1/3 of the national revenue to the development fund, has ensured and continues to ensure the necessary resources for continuously and rapidly increasing the national economy, expanding and modernizing its technical-productive potential, evenly developing the production forces throughout the country, continuously raising the material and cultural well-being of all the working people, and asserting a genuine national independence and sovereignty. The high rate of accumulation was the main lever for increasing the country's entire national wealth, something that, in close dialectical correlation, brought about a continuous increase in the national economy's potential for development and modernization and that of the Romanian society as a whole. During the period of planned development of the national economy, the volume of productive fixed assets of the country increased from a few dozen billions, as it was four decades ago, to over 2,800 billion; currently Romania has a strong technical-productive system of advanced economic structures in the areas of machine building, metallurgy, chemical and petrochemical industry, energy, electronics, electrical engineering, mining, transportation, and other basic economic sectors.

Such a strategy is the conclusive proof of superior understanding of the fact that in our times, an advanced civilization can be built only if it is based



on a developed technical-productive system, on modern and efficient structure of production capable of ensuring the material basis, and on the adoption and promotion of the latest achievements of scientific and technical progress.

This context brilliantly highlights the particular merit of Comrade Nicolae Ceausescu, our party secretary general, who, with his ability to penetrate the essence of phenomena and his unequalled gift of foresight, well in time adapted Romania's economic policy to the major trends of international development based on advanced achievements of science and technology. In a spirit of great patriotic pride, the party secretary general expressed complete faith in the creative forces of our people and in the resources of our scientific research to make a decisive contribution to resolving the problems of modernizing the material-technical basis of the Romanian economy. Science, which remains unequalled as a generator of material and cultural progress for the people, was highly honored, in keeping with the best traditions, by having the Academy of the Socialist Republic of Romania name Comrade Nicolae Ceausescu a full member and honorary president of this great scientific forum.

In the wake of the party secretary general's persevering guidance, in the past decades scientific research and technological development was resolutely directed in close connection with the country's socioeconomic development programs, and this close coordination has become a defining trait of Romanian science.

The "Program-Directive on Scientific Research, Technological Development, and Introduction of Technical Progress by the Year 2000," established under the direct guidance of Comrade Elena Ceausescu, an eminent scientist, a tireless struggler for a science devoted to peace and peoples' well-being, and a consistent leader in the work to implement the party's policy in the area of science and education, makes an invaluable contribution to modernizing our national economy, enabling us to progress toward an intensive type of development in step with international trends.

In his masterly report to the 13th congress, Comrade Nicolae Ceausescu formulated a thesis of an exceptional theoretical and practical value, according to which the strategic economic objective of the current stage is Romania's transition from the situation of a developing country to a new and higher stage, that of a country with an average level of economic development. "In the 1986-90 5-year plan," the party secretary general said, "we stand before a new—decisive, one might say—stage in implementing the party program on building the comprehensively developed socialist society and progressing toward communism. We must attain the goal of effecting the transition from the stage of a developing country to a higher one, of a socialist country with an average level of development. We must proceed from the need to intensively develop the industry, agriculture, and other sectors." Along this line, it is objectively necessary to accentuate the quality parameters and to pursue a type of preponderantly intensive reproduction, which should be expressed in a more rapid growth of the indexes defining the final and net results of economic activities compared to the consumption of material resources in all the branches of the national economy, in concentrated efforts to increase labor productivity, and in incorporating in each product the greatest possible value at the lowest possible cost. This is now the only way to more markedly

increase the national income and ensure the resources required for the continuous progress of the production forces. In order to accentuate the intensive character of reproduction we must modernize the material-technical basis of the society and, at the same time we must duly raise the professional level of all the working people, efficiently utilize all the production factors, markedly increase the productivity of social work, and intensively utilize the production capacities simultaneously with better utilizing and substantially reducing all material and energy consumption. According to this concept, the intensive-type reproduction is primarily based on the criterion of economy and of increased productivity and competitiveness, achieved through the rapid modernization of economic and production structure and the updating of products.

In the process of a preponderantly intensive development, the system of priority programs that is being implemented in the current 5-year plan expresses a scientific and uniform view of economic modernization. Worked out at the initiative of Comrade Nicolae Ceausescu, these programs embrace practically all the sectors of activity; the most important among them are aimed at more rapidly increasing labor productivity and improving labor organization and norms, improving the quality and technical level of products, reducing the consumption of raw materials, fuel, and energy, and better utilizing raw and other materials, and especially at improving the organization and modernization of production processes. Having been carefully coordinated among themselves, these programs will permit, each in its area, to identify, mobilize, and utilize the resources existing for ensuring the conditions required to completely fulfill the development plans and to more markedly increase economic efficiency.

The current stage of development confers new scope and significance to the concepts of quality and efficiency, and that applies equally to the characteristics of the intensive-type development process, and to the actual economic results. Thus, during this 5-year plan we will more rapidly increase the newly created assets, and the growth of the national revenue will exceed that of the social product by 1.4-1.6 times over. The increase in the efficiency of the accumulation process and investments is expressed in the fact that each percentage point of the accumulation rate will yield a larger volume of national revenue than that achieved in the preceding 5-year plan, thus ensuring a more dynamic growth of the national revenue than of the volume of investments and fixed assets in the economy, and in the final analysis, the expansion and improvement of socialist property.

Intensive development and increased efficiency will lead to judicious savings of social labor, continuous reductions of material and energy consumption, and rapid increases in labor productivity—which by 1990 will be twice as high as in 1985 and will be responsible for about 85 percent of the increase in the national revenue. Proceeding from the understanding of the profound meaning of the multiple quantitative, structural, and qualitative interrelations of the basic factors of production, the strategy of the transition to an intensive development is based on a uniform and integrating concept harmonious and simultaneous improvement of the production relations. Thus, the resolute implementation of the economic-financial mechanism conceived and continuously perfected under the impact of Comrade Nicolae Ceausescu's thinking and

guidance will make a particular contribution to enhancing the productivity of the utilization of our material and labor resources. Based on the principle of self-management and self-administration, the current economic mechanism ensures a close link between the results of work and the incomes obtained, by consistently observing the socialist principle of remuneration established under the implementation of the individual and collective contract systems. The accentuation of the intensive character of economic growth is closely connected to the manner in which all the levers of the economic mechanism are wielded; in this connection, an important part will be played by consolidating the role of the income and expenditure budgets, improving the credit system, and measures to enhance material responsibility, which must ensure the achievement of high quality and efficient products, the sale of all the products manufactured and payment for them, and must provide material incentives for the working people to efficiently manage the resources.

The party secretary general's all-embracing perception of the meaning of the entire process of modernization and improvement of the national economy and of the other areas of social life is permeated by a profound humanistic spirit and by care and responsibility for the future of the entire nation.

Consistently elaborating and implementing the principle that socialism is built with the people and for the people, Comrade Nicolae Ceausescu is the founder of the harmonious system of socialist workers democracy that ensures the direct participation of all the working people in leading the society, beginning with the general meetings and councils of working people, through the democratic bodies established in each area of activity, and up to the national level. Within this institutionalized system, the assertion in practice of the principles of workers self-management makes it possible to capitalize on the potential of collective thinking and on the initiative and responsibility of the working people for efficiently managing the share of the national wealth entrusted to them, and socialist property in general.

In Comrade Nicolae Ceausescu's revolutionary concept, the process of developing and modernizing the economy must take place against the background of continuous improvements in the production and social relations, in keeping with the level and dynamics of the production forces. Within this vast process a special role is assigned to the objective need to develop and perfect the state and cooperative socialist property as the basis of our system.

While putting the emphasis on our nation's own efforts to develop the economy, Comrade Nicolae Ceausescu at the same time pays special attention to international economic cooperation and production sharing. This component part of our party's economic policy is reflected in the consistency with which our country works to develop economic relations with the CEMA member states, the other socialist countries, the developing countries, and all the other states on the basis of equality and mutual advantage.

The forging of a strong and prosperous socialist society, based on a modern, sophisticated, and highly efficient economy, is intertwined with the consistent and constructive efforts made in behalf of peace; in Comrade Nicolae Ceausescu's humanistic and clear-sighted concept, peace and international cooperation are the only alternative for the development of the



contemporary society. Under the influence of Comrade Nicolae Ceausescu's thinking and actions, our country has advanced many proposals designed to widely open up the way for peace on our planet and for a fruitful and equitable cooperation among all the nations of the world.

Comrade Nicolae Ceausescu's profoundly scientific and innovative political thinking and his consistently revolutionary actions rally and mobilize the creative energies of all our people toward the fulfillment of a monumental goal and toward unparalleled achievements in their multimillenary existence. Closely united around the party and its secretary general--a brilliant revolutionary and patriot summoned by history to lead the nation toward the high peaks of communism--all the working people in our country want to express, at this festive moment, their unwavering determination to unflinchingly follow him along the bright path opened up for the fatherland, and to work with devotion, proficiency, and patriotic selflessness to successfully implement the 13th congress decisions and the program on building the comprehensively developed socialist society.

Profoundly inspired by Comrade Nicolae Ceausescu's mobilizing encouragements, indications, and guidelines and by his tireless activities devoted to the welfare and development of the fatherland, our people--paying great homage to him--are determined to make every possible effort, work resolutely, and use all their vigor to raise our socialist country to new peaks of progress and civilization.

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## FOREIGN TRADE POLICY, ACTIVITY REVIEWED BY VADUVA

Bucharest SCINTEIA in Romanian 26 Jan 87 pp 1,4

[Article by Ilie Vaduva, minister of foreign trade and international economic cooperation: "An Active Policy of Peace and Progress for All the Peoples, and of Broad International Cooperation"]

[Text] One of the main sources of the great prestige that socialist Romania enjoys throughout the world is its consistent policy of international peace and cooperation. This is an incontestable truth that became particularly evident during the bright period opened up by the election of Comrade Nicolae Ceausescu to lead our party and state—a period in which Romania forcefully asserted itself in the world through both the results obtained in its socioeconomic development, and the policies promoted in the area of foreign political and economic relations. Thus, on the basis of its particular achievements in developing the production forces, noteworthy successes along the path of industrialization, and agricultural modernization, in the over 20 years since the Ninth RCP Congress, Romania has continuously expanded and diversified its economic exchanges and cooperation with all the states, regardless of social system, size, potential, or level of development. A significant fact along this line is that Romania currently has economic relations with more than 150 state, as compared to 98 in 1965.

Such marks of our country's increasing assertion in the international economic arena constitute an expression and a materialization in the field of revolutionary practice of the comprehensive theoretical concept of our party secretary general and president of the republic concerning the role and importance of expanding interstate economic relations in our times. As the brilliant result of creative thinking and of a profound analysis—done in the spirit of dialectical and historical materialism—of the developments and basic trends of the contemporary world, this concept makes a very valuable contribution to the heritage of scientific—political, economic, and social—thinking of all humanity.

One of the defining traits of the Romanian president's concept of international cooperation is the dialectical and indissoluble unity between domestic and foreign policy, between the economic development of our country and its active and increasingly more efficient participation in the international exchange of material and cultural assets, in promoting the cause

of disarmament, and establishing a climate of peace on our planet. In Comrade Nicolae Ceausescu's view, the participation of all the countries in the international division of labor is in keeping with an objective necessity stemming from the increasingly deep interrelations among the various national economies, the increasing complexity of modern production, and the increasingly important role of science and technology as dynamizing factors of progress.

It is incontestably true that speeding up the economic development and general progress of each country depends to a decisive extent on the country's own efforts; at the same time, however, it also depends on intensifying foreign cooperation relations and promoting scientific-technical cooperation and international commercial exchanges. In this light, an increasingly active participation in international economic exchanges is one of the essential components of the strategy of building the comprehensively developed socialist society in Romania.

Proceeding from the same premises, our country's president has stressed and highlighted the great contribution that interstate economic cooperation can make to resolving urgent global problems such as those concerning the economic, commercial, and financial-currency crisis; the energy, raw materials, and food crisis; eliminating underdevelopment and the gaps among the states, and establishing a new world economic order.

According to Comrade Nicolae Ceausescu's profoundly scientific and realistic concept, developing cooperation and exchanges is not only of a great economic importance, but also of a particular political significance, because the expansion of these relations contributes to bolstering trust among states, "weaves" a network of peaceful cooperation, and brings the nations closer to one another. In Comrade Nicolae Ceausescu's thinking there exists a close relationship and mutual dependence between cooperation and detente, and between interstate economic exchanges and international security; detente and security create conditions for expanding cooperation and, inversely, detente is deepened through cooperation and collaboration, and the material foundation for peace is consolidated. As Comrade Nicolae Ceausescu stressed, "An active and broad cooperation among all the states of the world, in a spirit of equity and mutual advantage, is a factor of fundamental importance for the general progress of the nations, security, and peace."

Proceeding precisely from these objective requirements, Comrade Nicolae Ceausescu has reconsidered and has mapped out the entire foreign economic policy of our party and state, placing the issues of Romania's manysided socioeconomic development within the context of present-day realities, laying the principled foundations of our country's economic relations, and setting their objectives in accordance with our national interests, and he has tenaciously and consistently acted to expand and diversify these relations. These efforts have resulted in a profoundly patriotic foreign economic policy, which derives its international dimensions from the new, democratic principles that it affirms and implements.

In accordance with these principled policy orientations, despite difficult international economic conditions Romania has been continuously expanding its

sphere of foreign economic relations, a fact that has reflected in the continuous development and unprecedented diversification--from the viewpoint of structure and partners--of our foreign trade. In the past two decades Romania's foreign trade increased rapidly, at a far higher rate than the rate of growth of the national income, so that by the end of 1986 the volume of our foreign economic exchanges was more than 10 times greater than in 1965.

Simultaneously with the appreciable increase in economic exchanges the qualitative aspects of our country's foreign trade activities also improved substantially. This applies in particular to the changes that have occurred in the structure of Romanian exports: on the one hand, the range of goods and services offered to foreign partners has considerably expanded, while on the other hand, the share of products involving a high degree of utilization of raw materials and labor force has increased. These developments are reflected in the fact that machines and equipment, chemical products and industrial consumer goods currently make up over 60 percent of the total Romanian exports as compared to only 36 percent in 1965.

Similarly, under the decisive impact of Comrade Nicolae Ceausescu's guidance, a particularly important quality improvement was marked by the adoption of modern and superior forms of economic cooperation and collaboration designed to ensure stability and long-term prospects for Romania's exchanges with other countries. Thus, various forms of cooperation developed, such as joint construction of economic projects, technical assistance, joint production or marketing associations, and cooperation in third markets. In general, over 1/4 of all exports are based on cooperation; this contributes, at the same time, to increasingly supplying our national economy with raw and other materials.

Such radical improvements in foreign trade activities became possible thanks to the measures taken by our party and state, at the initiative of Comrade Nicolae Ceausescu, to ensure an uninterrupted process of socialist industrialization, to rapidly develop the production forces, and to modernize the industry, agriculture, and the entire national economy.

At the same time, a particularly important role was played by the implementation of programs for scientific research, technological development, and introduction of technical progress, worked out under the leadership of Comrade Academician Dr engineer Elena Ceausescu--an eminent political and state figure and a scientist of wide international repute, who is devotedly and selflessly carrying out laborious work at the service of the development of our socialist fatherland and in the area of cooperation with scientists from the entire world, with a view to utilizing science and technology for the peaceful development of nations.

At the center of these international activities Romania has always placed deepening relations of cooperation and collaboration with the neighboring socialist countries, the other CEMA member states, and all the socialist countries, which currently make up the greatest share of our international economic relations. Resolutely acting along this line, our party proceeds from the decisive and objective role of many-sidedly developing, in all the areas, the relations among the socialist countries, with a view to promoting their



rapid progress, closing the gaps between their levels of development, consolidating the positions of socialism in the world, and enhancing its influence in international life.

One of the particularly weighty aspects of Romania's international activities since the ninth congress is the broad expansion of economic relations with the developing countries. In the past 20 years the share of these relations in our foreign trade quadrupled, something that tellingly expresses the joint efforts made to assert the cause of independent national development and the struggle for a better and more just world.

At the same time, one of the inherent components of Romania's foreign relations is cooperation, promoted in a spirit of peaceful coexistence, with the developed capitalist countries, which hold almost 1/4 of the overall volume of our economic exchanges.

Romania consistently bases its economic relations with all the states on the principles of national independence and sovereignty, full equality of rights, noninterference in internal affairs, mutual advantage, and renunciation of the use and threat of force. In Comrade Nicolae Ceausescu's concept, complete respect for these principles as a unitary and indivisible whole is the sine qua non condition for asserting and utilizing the essential advantages of international economic cooperation, ensuring the more rapid progress of each country, and establishing a climate of peace and understanding among peoples.

The 13th party congress, reviewing the results obtained in the development of the national economy, established new major objectives in the area of foreign economic exchanges, developing international economic relations, and Romania's participation in international economic transactions. One of the primary objectives of the current 5-year plan is to increase foreign trade efficiency—as a particularly important facet of the new economic mechanism, based on workers self-management and economic and financial-currency self-administration. Our party and its secretary general resolutely assigned the task of rapidly raising the quality of all the products manufactured for foreign markets. Along this line, Comrade Nicolae Ceausescu said: "We must do everything possible to secure better products, of a higher technical and qualitative level than other similar products available in the international market. This is the only way to ensure that Romanian products assert themselves in the world and are in demand by our foreign partners. This is the only way to further expand our international cooperation and to more actively participate in the international division of labor in all areas."

The party secretary general's policy of seeking long-term agreements and contracts which permit stable and long-term exports and imports, has been of a great value for continuously improving our foreign trade activities. This requirement stems from the present realities and foreseeable trends of the international markets, as well as from the need to secure consistent and reliable supplies for the national economy and to efficiently organize the export production.

Organizational and legislative measures have been adopted upon the initiative of Comrade Nicolae Ceausescu to ensure a closer link between domestic



producers and foreign markets, encourage export production, raising the technical and qualitative level and thus the competitiveness of Romanian goods, and increasing foreign currency returns per export unit. Resolutely promoting exports, particularly of highly processed products, simultaneously to reducing imports to the absolute minimum will allow Romania to obtain a substantial trade balance surplus, something that will contribute to consolidating the country's currency reserves and the resources necessary for further rapidly developing the national economy.

One can justifiably state that, thanks to the endeavors of the party and state leadership and of Comrade Nicolae Ceausescu personally, Romania's foreign trade has at its disposal everything that is required to optimally fulfill the important tasks assigned to it. At the same time, permanently guided by the recommendations and advice issued by Comrade Nicolae Ceausescu at the meeting with the basic foreign trade aktiv and on the occasion of the recent series of analyses of the activities in this area, we are aware of the fact that in order to fulfill the tasks of this particularly important sector of the national economy, we must raise our standards and responsibility, and improve the professional and political training, in a revolutionary and patriotic spirit, of all the working people, so that all our activists can undergo radical changes within the shortest possible period of time.

In view of the fact that the international political situation is marked by particularly serious tension, President Nicolae Ceausescu stressed the need to act so as to ensure that the present tension does not extend to economic exchanges, too, does not curtail or restrict these exchanges, and does not create or perpetuate obstacles in their way. On the contrary, the flow of material and cultural assets must be amplified, so as to contribute to healing the international situation, developing peaceful relations among nations, restoring trust and understanding in international relations, and to detente and peace.

This is the spirit that governs Romania's activities at international economic organizations, too, which are guided by our president's concept on promoting interstate cooperation as a basic factor in the process of establishing a new world economic order. Examining with exceptional scientific clear-sightedness the features, contradictions, and basic issues of the contemporary world, Comrade Nicolae Ceausescu has made an original and very important contribution to substantiating, crystallizing, and promoting the concept of a new world economic order, and to identifying the means of achieving this historic goal.

According to Romania's president, currently it is very important to organize an international conference at the United Nations, attended by both the developing and developed countries, to adopt by consensus a series of measures capable of leading to a global solution of the problems of underdevelopment, including the problem of foreign debt, to a better and more just division of labor, and to a broad cooperation in the interests of the more rapid development of all the countries, primarily the ones lagging behind.

Evidently, such an objective can be attained only by eliminating protectionist measures, artificial barriers, and all trade discriminations and obstacles--

such as high interest rates in the area of credit—by discontinuing the policy of economic sanctions against countries or groups of countries and utterly eliminating pressures of any nature and the practice of linking commercial relations to all kinds of conditions designed to constrain other countries to subordinate the exercise of some of their sovereign rights. At the same time, the generalized system of preferences must be expanded, and new measures must be adopted to facilitate increased exports from the developing to the developed countries, to ensure a just ratio between the price of raw materials and that of industrial products, and the access of all the countries to modern technology.

Our party secretary general believes that positive steps toward overcoming the difficulties in the international economy and establishing a new world economic order require the allocation of large material and financial resources, something that can be achieved only by intensifying efforts for disarmament, for reducing the huge military expenditures that have become a heavy burden on a very large number of states, and channelling the funds thus freed to the socioeconomic progress of all the peoples. Comrade Nicolae Ceausescu has been unrelentingly stressing the close link between the policy of economic development and disarmament, and the fact that in order to satisfactorily resolve the problems of development and overcome economic difficulties, the arms race must be halted, military expenses must be cut, and disarmament must be put into effect.

Matching its actions to its statements—which is one of the defining traits of its foreign policy—Romania, at President Nicolae Ceausescu's initiative, cut its troops, arms, and military expenses by 5 percent, being the first country which, in the year proclaimed by the United Nations as the "International Year of Peace," actually began disarmament and began using the funds thus obtained for socioeconomic development, something that elicited a strong international response.

The homage that our entire nation pays with love and gratitude to its most respected and beloved son, Comrade Nicolae Ceausescu, on this festive anniversary tellingly reflects the satisfaction and legitimate pride of having at the head of the party and state a leader whose vast and tireless revolutionary activities precisely meet the major interests and the dearest aspirations of the Romanian people, identical in their substance with those of all the nations and with the general desire to live in a world of justice and equity, progress and peace.

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## NATIONAL BANK REPORT ON CREDIT-MONETARY STATUS

Belgrade BORBA in Serbo-Croatian 29 Jan 87 p 3

[Excerpts] Dusan Vlatkovic, governor of the Yugoslav National Bank, gave a report 28 January to the delegates of the Council for the Credit-Monetary System on the dinar and foreign exchange liquidity of the country at the end of 1986 and beginning of 1987. At the end of 1986 there was high growth in the money supply and dinar investment by banks, largely because of the high increase in prices and inflation. Bank liquidity was also very high, with 300 billion dinars in current accounts. According to Vlatkovic, this was carried over to this year and by mid-January there was 229 billion dinars in current accounts of banks and recently, 170 billion dinars.

According to the Resolution, the money supply should increase by at least 4.5 percent in the first quarter of this year, or by 153 billion dinars. Of this amount, 106 billion dinars would come from the printing of money. Dinar investments by banks are supposed to increase 5.5 percent or by 400 billion dinars. Vlatkovic said the basic question is whether the economy can operate normally with such restrictive monetary limits, considering the high increase of about 6 percent in prices and the inflation at the beginning of this year.

National Bank Director Vukasin Markovic said that it is not known in the economy whether monetary aggregates [agregati] can be planned without a planned price and inflation increase. But we have in fact done this [made a plan] for the first 3 months of this year. Thus, the planned limits are "shaking" the price increase, which is high for us now, and the inflation brought over from last year. Whether we will succeed in standing fast on this depends largely on the further trend in prices, financial discipline, and application of the measures for financially consolidating the economies and banks in Montenegro, Macedonia, and Kosovo.

According to Vlatkovic, the foreign exchange situation is a little more favorable. Despite permanent problems in the functioning of the foreign exchange market and in applying Article 110 of the foreign exchange law which specifies the priorities in payments to be made abroad, last year all foreign exchange debts which came due last year were paid. At the same time the medium-term and long-term foreign exchange debt was reduced by \$1.22 billion.

A total of \$5.97 billion (\$4.32 billion in principal and \$1.85 billion in interest) came due for repayment in 1986. Of this amount, \$1.65 billion was

refinanced and \$4.32 billion was repaid. So the total debt was reduced by almost twice more than planned--namely, \$1.22 billion instead of \$680 million. But as a result the short-term debt increased by \$250 million. This means that the net debt was reduced by \$960 million. At the end of March we should achieve an agreement on rescheduling part of the debt which comes due this year and in the coming years.

At the beginning of this year the demand for foreign exchange considerably exceeded the supply. Vlatkovic said that \$1.403 billion must be repaid in the first quarter of this year; of this, banks are to repay \$902 million and the National Bank \$501 million. The January debt of \$547 million has largely already been paid, in February \$238 million comes due, and in March \$617 million. There is fear about how the March debt will be repaid.

What should be done to improve the situation on the foreign exchange market? Vlatkovic believes that one should, above all, increase exports and foreign exchange earnings and coordinate the right to import with foreign exchange earnings, because now this is calculated in a mechanistic and unrealistic way. Also, one should accelerate the bringing of foreign exchange into the country because the accounts receivable from exports now amount to about \$2.7 billion. Foreign exchange credits should be used more rapidly and effectively. For instance, we now have \$700 million of credits which were granted under favorable conditions, which are not being used. One should also increase control of banks because they have recently been "coordinating" foreign exchange inflow and thus avoiding the bringing of foreign exchange onto the market. If we could achieve all this, we could be optimistic that we will have more foreign exchange in the second quarter of this year and will establish a normal operation of the foreign exchange market.

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## CREDIT CONSOLIDATION FOR MACEDONIA, MONTENEGRO, KOSOVO

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7-9 Feb 87 p 1

[Excerpts] Several documents have been sent to the Yugoslav Assembly which are of considerable importance for the economy and on which delegates will soon decide. The documents are largely from the Program of Measures for the Financial Consolidation of the Economies of Macedonia, Montenegro, and Kosovo.

The documents include a draft law that reschedules the obligations of banks from these territories which are authorized by the National Bank to operate abroad. The postponement pertains to obligations arising from the conversion of foreign exchange loans into dinar credits and the nonpayment of dinar equivalent values for foreign exchange, which the National Bank remitted to [these] authorized banks or used (instead of these banks) to pay off annuities on foreign credits. A total of 84.8 billion dinars are being rescheduled which came due at the end of last year. The rescheduled interest rate is considerably more favorable, namely, about 50 percent of the current National Bank rediscount rate.

The obligations arising from credits taken as a result of converting foreign exchange loans into dinar credits amount to 38.7 billion dinars [shared as follows among the banks indicated]: Economic Bank [Stopanska Banka, Macedonia], 12.9 billion; Investment Bank, Titograd 12.2 billion; and Kosovo Bank, 13.6 billion dinars.

Obligations arising from unpaid dinar equivalent values are: Economic Bank 12.7 billion, Investment Bank 13.5 billion, and Kosovo Bank 6.8 billion dinars. Obligations which the National Bank paid arising from unpaid dinar equivalent values of annuities due on foreign credits are: Economic Bank 4.3 billion, Investment Bank 3.1 billion, and Kosovo Bank 5.7 billion dinars.

The percentage of coverage of the exchange rate differences for [work] organizations from these areas whose level of utilization of reproduction funds is over 120 percent would increase from 65 to 76 percent, according to the draft law.

The exchange rate differences for these organizations would be covered for all commodity credits used for investment, the only condition being that the consolidation programs be verified by the authorized republic or provincial organs.

The effects of the changes are estimated to be about 10.46 billion dinars for the current year. Since there are no other legal possibilities, this amount will be covered by increased contributions from republics and provinces. As a result, changes are also being proposed in the Decision on Preliminary Estimates of Revenue and Outlays of Exchange Rate Differences on certain foreign credits for 1987.

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## REGULATION LISTS CONDITIONS FOR ADMISSION TO MILITARY ACADEMIES

Sofia NARODNA ARMIYA in Bulgarian 20 Jan 87 p 2

[Regulation on Admission of Cadets to Military Academies and Awarding of Ministry of National Defense Scholarships in 1987-1988 Academic Year]

[Text] A. REGULAR INSTRUCTION

## I. Conditions and Documents for Candidacy

1. Young men who meet the following conditions are admissible as cadet candidates for the higher military academies of the Bulgarian People's Army:

- They must be secondary school graduates;
- They must have a politically correct orientation;
- They must be Bulgarian citizens;
- They must love the military service;
- They must be active DKMS [Dimitrov Communist Youth Union] members;
- They must be physically healthy;
- They must not be over 23 years of age, and flyer candidates not over 21 (age shall be determined as of 1 September in the year of candidacy);
- They must not be married;
- They must have no convictions or be facing trial or investigation;
- They must be cleared by their unit commander (for servicemen);
- Reenlisted personnel must have overall grades on their diploma of not less than very good (5.00) and not less than 1 year's service in the Bulgarian People's Army as of 1 September 1987;
- Candidates for specialties in the Electron Economic Trust must have discharged their military service;
- Candidates for the specialty of Motorized Rifle Troops in the People's Militia must be over 1.70 m tall and be cleared by the MVR [Ministry of Internal Affairs] authorities.

2. Every cadet candidate shall have the right to apply for all specialties (listed in order of preference) in one or in two higher military academies. Young men who apply for two higher military academies must indicate as their first the G. Benkovski VNVVU [Higher People's Air Force Academy] or the N. Y. Vaptsarov VNVMU [Higher People's Naval Academy] or the G. Dimitrov VNVAU [Higher People's Artillery Academy].

3. Every cadet candidate shall submit the following documents through the chief of the military administration, in which he is carried on report, to the head of the higher military academy in question:

- A request to take a competitive examination;
- A competitive file, in which the cadet candidate lists the specialties in the order in which he wishes to be placed;
- An autobiography;
- A declaration that he will serve no less than 10 years in the Armed Forces of the Bulgarian People's Republic or in the departments for the needs of which he is accepted;  
(Blank forms for the documents indicated thus far are obtainable from the military administration);
- A secondary school diploma or transcript thereof;
- Birth certificate;
- A certificate showing no convictions;
- A pedagogical (or service) reference for his candidacy for a higher military academy, signed by the director of the school (head of department, economic organization or institution, party and Komsomol leadership where he was enrolled (employed). The reference shall be given personally to the candidate in a sealed envelope;
- A document showing any preference he enjoys (if the candidate has any preferential right);
- For the specialty of Motorized Rifle Troops in the People's Militia, a certificate that he has been cleared by the MVR authorities concerned.

When an application is made for two higher military academies, all documents shall be sent to the first one, and to the second one only a request and a competitive file.

Servicemen who are cadet candidates shall submit the above-enumerated documents through their unit commander.

The documents of servicemen cleared for candidacy for a military academy, together with the medical record book, extracts from the military record of commendations and punishments, and service efficiency report, shall be sent by commanders to the military administrations from which the servicemen were inducted.

Candidates for the specialty of Motorized Rifle Troops in the People's Militia shall submit by 30 March 1987 to the personnel offices of the MVR units corresponding to their place of residence a request to take a competitive examination. On receipt of an affirmative reply, they shall submit their documents in accordance with paragraph 4 of the present regulation.

Requests not accompanied by all the necessary documents, legibly filled out, shall not be accepted.

4. The final dates for the submittal of cadet candidate documents to the military academies are as follows: 4 June for pre-1987 secondary school graduates and for servicemen; 15 July for 1987 secondary school graduates.



After these dates, documents shall not be accepted.

5. Preparatory courses at the higher military academies to which candidates have submitted their documents shall be conducted with cadet candidates, enlisted men and NShZO [National Reserve Officers School] cadets. The preparatory course for cadet candidates for the G. Benkovski VNVVU and the N. Y. Vaptsarov VNVMU shall be held beginning 9 July 1987, and for the V. Levski VNVU [Higher People's Military Academy] and the G. Dimitrov VNVAU beginning 10 July 1987.

The documents of reenlisted cadet candidates shall be sent by the military administrations to the higher military academies not later than the beginning of the preparatory course, and of conscripts 1 week before they report to their respective military academy.

## II. COMPETITIVE EXAMINATIONS AND TESTS

1. The competitive examinations, physical and psychophysiological tests and medical checkups shall be conducted at the higher military academies to which the cadet candidates have submitted their basic documents.

2. Candidates for the G. Benkovski VNVVU and the N. Y. Vaptsarov VNVMU must report to their respective academy not later than 1400 hours on 4 August 1987, and those for the V. Levski VNVU and the G. Dimitrov VNVAU not later than 1400 hours on 10 August 1987.

Candidates for the specialty of Aircraft Pilot must report to the G. Benkovski VNVVU not later than 1400 hours on 22 July 1987.

Young men applying for the G. Benkovski VNVVU and the N. Y. Vaptsarov VNVMU and receiving poor results on the written competitive examination may report to their second-choice higher-education institution, but not later than 1400 hours on 15 August 1987; those who received favorable results but were not admitted may report by 1400 hours on 18 August 1987.

3. Cadet candidates for all higher military academies shall take two written examinations--one in their special subject and a second in social science.

4. The special subjects in which the competitive examinations shall be taken are as follows:

- For the specialty of Chemical Troops, chemistry;
- For all other specialties, mathematics

The competitive examinations shall be conducted according to the competitive-examination programs approved by the Ministry of National Education and published in the Handbook for Student Applicants, packet I. For the specialty of Chemical Troops, from the chemistry program for candidacy for universities and institutes of chemical engineering.

Cadet candidates for the specialty of Aircraft Pilot shall take a psychophysiological test by special methods. Psychophysiological traits shall be evaluated on a six-point scale.

5. The time for testing the traits of cadet candidates and for the written examinations is as follows:

a) For the G. Benkovski VNVU and the N. Y. Vaptsarov VNVU:

--from 5 to 9 August--testing of psychophysiological and physical traits and medical examination (for the specialty of Aircraft Pilot these tests shall be conducted from 22 July to 9 August 1987).

--on 12 August 1987--written competitive examination in social science.

b) For the V. Levski VNVU and the G. Dimitrov VNVU:

--from 11 to 15 August 1987--testing of psychophysiological and physical traits and medical examination.

--on 16 August 1987--written competitive examination in mathematics.

--on 18 August 1987--written competitive examination in social science.

--on 19 August 1987--written competitive examination in chemistry (for the specialty of Chemical Troops at the V. Levski VNVU).

6. Physical traits of cadet candidates shall be tested according to the events and by the standards in the following table:

Events	Standards
1. Chinning oneself on the horizontal bar	Not less than 6 times
2. 100-meter dash, standing start	Not more than 15.5 seconds
3. 1000-meter cross-country run	Not more than 4.1 minutes

Uniform--sports togs (to be provided by cadet candidates).

Physical traits of cadet candidates shall be rated as "Fit for the academy" or "Unfit for the academy." The rating of "Unfit for the academy" shall be given to cadet candidates who fail to meet the standards in two or more of the test events.

7. The psychophysiological traits of cadet candidates shall be tested according to special methods developed at the higher military academies. Psychophysiological traits of candidates shall be rated as "Fit for the academy" or "Unfit for the academy."

8. Medical examinations shall be conducted in accordance with the requirements of the Manual of Diseases and Physical Deficiencies. Candidates for the specialty of Aircraft Pilot shall take a special aviation medical examination.

9. A cadet candidate who receives a rating of "Unfit for the academy" from the psychophysiological and physical tests shall be dropped from further participation in the competitive examination at all academies. Those who receive a rating of "Fit for the academy" shall be permitted to sit for the written examination in their special subject.

10. The rating "Fit for the academy" from the psychophysiological examinations of cadet candidates and the scores from the written examination in the special subject and social science received at the first higher military academy shall, if they are favorable, be credited as well for the second higher military academy indicated in the cadet candidate's request.

11. The cadet candidate who places but is not accepted at the first higher military academy (G. Benkovski VNVVU, N. Y. Vaptsarov VNVMU) may report for a written competitive examination in his special subject and in social science at the second higher military academy. In this case, the score received at the first academy shall not be counted.

12. When a cadet candidate is not accepted at the first academy, he must apply, from 10 August 1987 till the conclusion of the operation of the admissions board, to the representative of the second academy sent to the G. Benkovski VNVVU and the N. Y. Vaptsarov VNVMU.

### III. ORGANIZATION AND CONDUCT OF COMPETITIVE EXAMINATIONS. MARKING AND GRADING OF WRITTEN PAPERS AND DERIVATION OF COMPETITIVE SCORE

1. The competitive examinations shall be organized and conducted at the higher military academy in question by boards appointed by order of the academy head.

2. The competitive examinations shall be conducted on interdisciplinary subjects. The room assignment of candidates and boards shall be announced on the day of the examination. The examinations shall begin at 0800 hours. Their duration: 4 hours.

3. The written competitive examinations shall be anonymous.

Cadet candidates who report after the announcement of the subject, or who fail to report, for one of the competitive examinations (tests) and those who receive the rating of "Poor" in their special subject shall forfeit the right to participate further in the competition.

In the event of proved copying or in the event of an attempt to violate the anonymity of the competition, the written paper shall be invalidated with a written statement by the chairman of the examining board and the cadet candidate shall forfeit the right to participate further in the competition.

The scores of the competitive examinations shall be valid for partition in the competition only in the year during which they are taken.

4. On request the academy shall issue certificates to cadet candidates to justify the leave they use in order to report for the competition.

5. The written papers in the special subjects shall be marked, in the rooms appointed for the purpose, by two instructors independently of each other. The papers shall be graded to the nearest 0.25 point, and whenever the difference is 0.50, the final score shall be the arithmetic mean between the two grades.

If the difference between the grades of one paper is more than 0.50, the paper shall be submitted for reconsideration by an arbiter whose grade shall be final. The arbiter shall enter the grade and the grounds therefor on the written paper and sign it. He shall draw up a separate memorandum for the papers he grades and sign it.

The written examination papers in social science shall be graded by one checker with a grade of "Pass" or "Fail."

Cadet candidates who receive a grade of "Fail" in the social science examination shall be docked one point of their total competitive score.

The checker shall enter the final grade on each written social-science paper and sign it. Papers with a grade of "Fail" shall be submitted to an arbiter whose grade is final.

A written paper on which some distinguishing mark is placed shall be invalidated.

Results of the written competitive examinations shall be announced immediately after the grading of the written papers. The announced scores shall be final. Reconsideration and regrading shall not be permitted.

6. The score for placing shall consist of the following grades:

- a. The grade on the examination in the special subject, doubled.
- b. The overall grade from the secondary-school diploma.
- c. The grades in the two subjects on the secondary-school diploma that are basic for the specialty.

For the specialty of Aircraft Pilot, the grade from the psychophysiological examination shall also be added to the placing score.

The subjects on the diploma, the grades for which are to be included in the score, are as follows:

- For political specialization: history of Bulgaria and mathematics.
- For the specialty of Chemical Troops: chemistry and mathematics.
- For all other specialties: mathematics and physics.

The ranking score of cadet candidates for the specialty of Aircraft Pilot, who are not accepted and who have indicated in their documents other specialties



at the G. Benkovski VNVVU and other academies, shall constitute the ranking score for the specialties for which they take a competitive examination in mathematics.

#### IV. RANKING AND ADMISSION OF CADET CANDIDATES

1. In admitting candidates the admissions boards shall take into consideration the following:

- The ranking score received.
- Their political and businesslike qualities.
- The results of physical and psychophysiological tests.
- Their state of health.
- Any preference they enjoy.

2. In admission to the higher military academies the following shall enjoy preference:

a. The sons of active fighters against fascism and capitalism and of servicemen who perished in fulfilling their official duty. They shall compete for 10 percent of the positions.

b. The sons of servicemen who have served not less than 10 years in the Bulgarian People's Army, and of reserve servicemen who have performed at least 15 years of regular service in the Bulgarian People's Army. They shall compete for 15 percent of the positions specified for the needs of the Bulgarian People's Army.

For the specialty of Border Troops, only the sons of Border Troops servicemen who have served not less than 10 years shall enjoy preference under subparagraph b. They shall compete for 15 percent of the positions.

For the specialty of Motorized Troops in the People's Militia, only the sons of Border Militia personnel who have served not less than 10 years shall enjoy preference under subparagraph b. They shall compete for 15 percent of the positions.

c. The sons of employees of "Balkan" BGA [Bulgarian Civil Aviation], the Water Transportation Economic Trust, the Ocean Fishery Economic Trust and the Ministry of Transportation--Central Administration, who have not less than 10 years of regular navigation (flying) and operational service in these departments shall compete for 10 percent of the positions in the respective specialties at the G. Benkovski VNVVU and the N. Y. Vaptsarov VVMU.

d. Cadet candidates who have completed the full course in engine-powered flying in the OSO [Organizatsiya za Sudeystvie na Otbranata; Auxiliary Defense Organization] shall compete for 30 percent of the positions in the specialty of Aircraft Pilot at the G. Benkovski VNVVU.

Preference under subparagraphs b, c, and d shall be enjoyed provided that the ranking score is not more than 2 points lower than the score of the last candidate accepted without any exception for the specialty in question.

e. Cadet candidates who as students in the most recent class placed for participation in the international secondary-school Olympiads shall be exempt from taking a written competitive examination in their special subject (they shall be deemed to have taken it with a grade of excellent), provided that they have overall marks on their secondary school diploma of not less than very good

(5.00) and that the marks in the subjects on the diploma that enter into score derivation are no lower than very good (5.00). This preference the cadet candidates shall enjoy only for those specialties which require the taking of a competitive examination in a specialized academic subject such as the subject of the international Olympiad in question.

f. Cadet candidates who as students in the most recent class (academic year) participated during the year of their candidacy in the select Republic circle of Olympiads in mathematics and chemistry and received a grade not lower than excellent (5.50) or a total number of points equivalent to a grade not lower than excellent (5.50), shall be deemed to have taken, with a grade equal to their Olympiad grade, a competitive examination in the same special academic subject in the event of their candidacy for the specialty in question, provided that they have overall marks on their secondary school diploma of not less than excellent (5.50).

g. Cadet candidates who as students in the most recent class (academic year) participated during the year of their candidacy in the final stage of the NPK [National Political Competition] for student youth and received a total number of points equivalent to a grade of not less than good (4.00), shall be deemed to have taken the social science examination with a grade of "Pass."

h. Graduates of secondary noncommissioned officer schools with marks of excellent (6.00) and a gold medal shall be admitted without a competitive examination (if they meet the other conditions) in the corresponding specialty prior to their reaching the age of 23. Candidates may enjoy this preference also in the year of their graduation from noncommissioned officer school.

i. Other conditions being equal, reenlisted young men who are NShZO graduates, who have discharged their military service and completed courses in military technology training in the OSO shall have preference.

The positions allotted for candidates with preference and not taken by them at the time of admissions shall be filled by candidates not enjoying preference in the order of their score.

3. Placement shall be effected in descending order of scores.

In case of a candidacy for only one higher military academy, the order of enumerated specialties shall be determining in placement.

In case of a simultaneous candidacy for two higher military academies, the indicated order of the desired academies shall be determining, and after that the indicated order of the specialties at them.

The results of placement shall be announced in descending order of scores before the admissions board begins its work.

Sessions of the admissions board at the G. Benkovski VNVVU and the N. Y. Vaptsarov VNVMU shall conclude not later than 16 August 1987 and at the V. Levski VNVU and the G. Dimitrov VNVAU not later than 22 August 1987.

4. After the reviews, examinations and final study of the candidates, the admissions board shall hold a personal conversation with each candidate, make its decision and announce it to him. A collective talk shall be conducted

with the reserves. The decision of the admissions board shall be final and is not subject to approval.

Candidates who have placed but not reported to the admissions board, and those who have withdrawn their documents shall be considered to be rejected.

5. The higher military academies shall inform the admitted candidates in writing, with an indication also of the specialty in which they have been admitted.

6. If the admitted cadet candidates do not report on the appointed date to their respective military academy, their positions shall be filled by candidates from the reserves in the order of their placement.

7. Graduates of the higher military academies shall be awarded the rank of "Engineer Lieutenant" ("Lieutenant"), the military classification of "Military Engineer," and credited with a higher civilian education--specialty and classification to depend on their specialty.

#### B. CORRESPONDENCE COURSES

1. The following may apply for correspondence courses from the higher military academies: officers and noncommissioned officers of the Bulgarian People's Army--in all specialties; workers and employees (male) within the Ministry of National Defense--for engineering and command-and-engineering specialties only; officials (male) in air and water transportation, at flying clubs and sea clubs in the OSO--for corresponding specialties.

2. Application may be made to only one higher military academy for specialties which are in line with the character of the work done by the candidate.

3. Candidates who meet the following requirements shall be accepted for correspondence courses:

--They must be secondary school graduates.

--They must not be over 40 years of age as of 1 September 1987.

--As of 1 September 1987, they must have not less than 1 year of labor service corresponding to the specialty for which they are applying.

--They must have discharged their regular military service.

--They must have received authorization from MNO [Ministry of National Defense] "Personnel" to apply for correspondence courses.

--They must be cleared by the ministries concerned.

--Pilot candidates must have flying skills and must perform flight missions in practice.

In addition to the above-indicated conditions, the following are required besides:

For officers:

--They must be cleared by their immediate superiors.

--They must have completed a secondary education with no marks on their diploma of less than very good (5.00).

- They must not be over 23 years of age as of 1 September 1987.
- They must have military longevity in the specialty of not less than 1 year as of 1 September 1987.

4. Candidates for correspondence courses who meet the conditions shall before 30 April 1987 submit a report through command channels (for employees of other departments through the appropriate economic trust) to MNO "Personnel" in order to obtain approval to apply for correspondence courses.

With the report the correspondence course candidate (excluding officers) shall enclose the following:

- A copy of their secondary school diploma.
- A reference from the enterprise where he is employed.
- A certificate from the ministry concerned, from which it can be seen that it clears the correspondence course candidate for the specialty in question.
- A copy of an extract from his labor book, certified by the management of the enterprise.

5. Officer and noncommissioned-officer candidates for correspondence courses shall submit the following documents through command channels to the head of the higher military academy:

- A request to the head of the higher military academy for permission to take a competitive examination, which shall indicate the specialty he is applying for.
- His secondary school diploma or an officially certified transcript thereof.
- Clearance of candidacy for correspondence course by MNO "Personnel," which shall indicate the specialty for which they are authorized to apply.
- Birth certificate.
- Medical certificate.
- Autobiography.

6. Correspondence course candidates (excluding officers and noncommissioned officers) shall submit the following documents to the head of the higher military academy concerned through the chiefs of the military administrations in which they are carried on report:

- A request for permission to take a competitive examination, indicating the desired specialty.
- Autobiography.
- Clearance of correspondence course application by MNO "Personnel."
- Secondary school diploma or officially certified transcript thereof.
- Medical record.
- Clearance by the ministry concerned, explicitly indicating the specialty for which they are authorized to apply.
- Copy of extract from labor book, certified by the management of the enterprise or institution, verifying labor service.
- Reference for the candidate from the enterprise or institution at which they are employed.
- Military record.
- Certificate showing no previous conviction.



- Birth certificate.
- Document showing preferential entitlement (if he has such).

7. Final date for submittal of documents: 4 June 1987.

8. Reporting for the written competitive examinations, grading of written papers, calculation of correspondence course score and ranking of candidates shall take place in accordance with the procedure prescribed for regular instruction.

Candidates (excluding officers) shall take a psychophysiological test and medical examination at the respective higher academies.

9. Correspondence course candidates shall enjoy the same preferential entitlements as candidates for regular instruction.

10. The admissions board shall decide the acceptance of correspondence course candidates.

#### C. ADMISSION OF CADETS TO THE G. DIMITROV VIF [Higher Physical Education Institute]

1. Young men applying to be cadets at the G. Dimitrov VIF in the specialty of Physical Training in the Bulgarian People's Army and Beginning Military Instruction and Physical Education must meet the requirements of cadets in the higher military academies. They shall submit their documents to the G. Dimitrov VIF in conformity with the requirements of The Candidates' Handbook 1987-1988. Through the military command in which they are carried on report, they shall submit to the head of the Military Faculty at the G. Dimitrov VIF, Sofia 1000, T. Kirkova Street No. 1, the following documents: a request, birth certificate, certificate showing no previous convictions, document showing preferential entitlement, transcript of [secondary] school diploma, and a declaration that he will serve not less than 10 years after graduation from the institute. Documents shall be submitted to the military command by 4 June 1987 for 1987 secondary-school graduates and by 15 July for pre-1987 graduates.

2. Conditions and procedure for the holding of competitive examinations are indicated in the G. Dimitrov VIF Regulation on the Admission of Students for the Academic Year 1987-1988. For those who successfully pass the applicants' examination, a medical examination will be held on 6 and 7 August 1987.

3. Young men who are admitted shall enjoy the rights and obligations of cadets at the higher military academies.

#### D. MINISTRY OF NATIONAL DEFENSE SCHOLARSHIP HOLDERS

1. Young men from the candidate students and the trainees at the higher military academies in the following specialties are accepted as MNO scholarship holders:

--Medicine: at the medical institutes in the cities of Sofia, Plovdiv, Varna, Pleven and Stara Zagora.

--Physics: Kl. Okhridski SU [Sofia University]—for meteorology in the Bulgarian People's Army.

2. Young men who desire to apply for the above specialties must meet the conditions for cadets at the higher military academies.

3. MNO scholar candidates shall submit documents without any exception to the higher military academies concerned in accordance with the procedure established for candidate cadets. Those who have successfully been admitted to corresponding civilian educational institutions (with a score higher than the minimum set for the particular higher military academy) shall, at the latest 10 days after the announcement of the results of the competitive examinations, and those already students at the higher military academies by 1 August 1987, submit to the military administration in which they are carried on report the following documents: a request, autobiography, medical certificate from the Military Hospital (for those who have completed their regular military service), medical draft card (for conscripts), medical health record (for servicemen), certificate showing no previous convictions, certificate of his score from the respective higher military academy to which he has applied, and a declaration that he will serve in the Bulgarian People's Army for not less than 10 years after the completion of his education, while students who are already in the higher academies shall also submit a certificate that they have completed the academic year successfully.

The documents of candidates cleared by the military administrations shall be sent to MNO "Personnel" not later than 6 September 1987.

4. Those accepted for MNO scholarships who have not discharged their regular military service shall begin their studies following its completion.

5. MNO scholarship holders on completion of their higher education shall be inducted into active military service and appointed to units of the Bulgarian People's Army.

#### CONCLUDING PROVISIONS

1. Cadet candidates who submit documents with false contents, who attempt to give false information in filling out the documents or to mislead the admissions board shall be eliminated from participation in the competition.

2. The heads of the higher military academies shall decide all questions finally in conformity with the Regulation on the Admission of Cadets for the Academic Year 1987-1988.

3. MNO "Personnel" shall generally supervise and monitor the enforcement of this regulation.

All additional questions that arise regarding the admission of cadet candidates that are not covered in this regulation shall be decided by MNO

"Personnel" and G1PUNA [Glavno to Politichesko Upravlenie na Narodnata Armiya; Main Political Administration of the People's Army].

4. Written papers and records of their grades shall be preserved for 1 year after the competitive examination is held.

5. This regulation is issued on the basis of the Statutes governing the Higher Military Academies in the Bulgarian People's Army.

6474

CSO: 2200/49

## BRIEFS

NEW AMBASSADOR TO FINLAND--Helsinki (ADN)--On Friday [30 January] Mauno Koivisto, president of the Republic of Finland, received Rolf Boettcher, GDR ambassador extraordinary and plenipotentiary, for the presentation of his credentials. In the subsequent talk it was stressed that the friendly relations and good-neighborly cooperation between the GDR and Finland will continue to be further deepened in the spirit of peaceful coexistence for the benefit of both peoples. It was emphasized that both the GDR and Finland are willing to continue their efforts to preserve and safeguard peace. [Summary] [East Berlin NEUES DEUTSCHLAND in German 31 Jan-1 Feb 87 p 2 AU] /6662

NEW AMBASSADOR TO SINGAPORE--Singapore (ADN)--On Tuesday [20 January] Wee Kim Wee, president of the Republic of Singapore, received Siegfried Kuehnelt, GDR ambassador extraordinary and plenipotentiary, for the presentation of his credentials. [Excerpt] [East Berlin NEUES DEUTSCHLAND in German 21 Jan 87 p 2 AU] /6662

CSO: 2300/170



## WRITERS CLOSE TO PARTY REGROUP IN NEW LABOR UNION

Paris LE MONDE in French 8-9 Feb 87 p 16

[Article by Thomas Schreiber: "A New Labor Union' Regroups Writers Who Are Close to Party"]

[Text] A "Union of Writers, Poets, and Translators" was established in Hungary 2 months after the breakup of the Association of Hungarian Writers which had been accused by some of its members of "deviating from the party line." This new organization, however, is something entirely novel in Eastern Europe; it is not made up exclusively of the declared faithful followers of the government. It is chaired by Mrs Erzsebet Galgoczi, the author of some rather nonconformist books. The old Association of Writers continues to be active in the face of party hostility.

The new union consists not only of members of the Association of Writers but also those who left at the end of the animated meeting on 29 and 30 November. We thus seem to have a real "Hungarian-style cultural mini-revolution" here.

Following the preceding meeting of the Association of Writers in 1981, intellectual circles, encouraged by the relatively relaxed climate prevailing in their country, had stepped up their debates. On several occasions, these debates led to clashes with certain cultural policy officials in the party machinery and in the government. While opposing a return of the "administrative" methods of the Stalinist period--even in a disguised fashion--of which they themselves had sometimes been victims, the latter wanted to put the brakes on what in the West is called the "liberalization" of the political system out of a fear of a "spillover." This is the reason given, at least in private, to justify in the eyes of foreign observers the ban put last August on the publication, "until a new order," of the theatrical plays by the writer Istvan Csorka who was accused of having made "imprudent statements" during a trip to the United States and who supposedly harmed "the interests of Hungary."

## Big Confusion

On the other hand, the suspension of a literary magazine, which had attracted attention on several occasions by virtue of the positions it had adopted on "delicate" subjects (for example, the fate of the Hungarian minority in

Transylvania) was also received rather poorly. During the writers meeting in November, in the presence of 444 out of the Association's 612 members, the crisis erupted because of the tone of the address by Mr Janos Berecz, the Central Committee secretary in charge of agitation, propaganda, and press, one of the three or four possible successors to Mr Janos Kadar. Several speakers accused him of behaving like a "peasant-version of Revai" (an allusion to Jozsef Revai, the intolerant ideologue of the 1950's, who was of bourgeois origin). There was talk of censorship and pressure exerted on creative individuals while Mr Berecz, for his part, called certain writers "irresponsible."

Nevertheless, at no time was there a clear confrontation between "Stalinists" and "liberals," thus confirming that this split was no longer in keeping with the real Hungarian situation (see LE MONDE, 21 November 1986). In effect, the 27 intellectuals who left the Association in order for the most part to get together again in the new union include, in a rather helter-skelter fashion, Mr Kadar's official biographer, the chief editors of the principal literary journals, the manager of the motion picture production enterprise, writers, poets, and translators who follow several tendencies, each with a different political past. Those who had resigned reproached the new leadership of "deviating from the party's positions" without however agreeing with all of the recent decisions. Thus, the writer Sandor Fekete, an author who writes under the pseudonym Hungaricus and who wrote a famous document on the state of Hungarian society following the crushing of the 1956 uprising (a document which was secretly disseminated at the time), although dissatisfied with the new leadership "which plays into the hands of the enemies of reform," was opposed to the ban on the writer Istvan Csoruka or the forced resignation of the former editors of the magazine TISZATAJ.

Overall, the current situation is one of great confusion. It is more than likely that the debates will go beyond the case of the association (which, according to Culture Minister Bela Kerepeczi, "is no longer representative of all of the writers") and will increasingly revolve around the problem of succession to Mr Kadar. The trouble between a government that is generally in favor of reforms--provided they do not go too far--on the one hand, and certain intellectuals, on the other hand, has gotten worse.

Those who resigned from the Association, who claimed to be "realists," hope that the changes in the USSR will permit real liberalization of Hungarian intellectual life. But, whether we like it or not, pending the materialization of these changes (which remain yet to be made), a lineup with official policy seems to be the only practicable way for them--but this is something that is being challenged precisely by a segment of the writers who are involved in a difficult and hazardous fight.

5058

CSO: 2900/10

## NEGLECT, LACK OF RESPONSIBILITY OF CIVIL SERVANTS

Bucharest SCINTEIA in Romanian 2 Dec 86 pp 1,4

[Article by Rodica Serban: "A New Quality in Public Services Requires a New Quality in the Work and Behavior of the Public Servants"]

[Text] There is no area of activity in which the issue of improving work and quality in general is not currently topical. Consequently, it also applies to employees who work directly with the public and whose duty is to be at the service of the citizens and to deal with their various needs. It is true that noteworthy progress has been made toward cultivating a more helpful attitude with a view to more competently and promptly meeting people's requests. Citing examples of such attitudes would be nonsensical, since that is only normal. What is not normal are the situations we want to present here...

## How Bureaucracy Feeds the Production of Redundant Applications

Before us are three letters from citizens, all dealing with the same problem: loss of time and unnecessary running around because of lazy, careless employees lacking in the obligatory solicitude. Ion Ivanescu of Bucharest, 354 Pantelimon Rd., writes that for days the joy of having become a new father was spoiled by those in charge of issuing the baby's birth certificate, i.e., the employees of the civil registration bureau of Sector No 2. The man went there with the paper from the maternity clinic and was... given an appointment for 4 days later. He went on the 5th day at the earliest possible hour. "I went into the respective office and excused myself to the two female employees for being 1 day late, and explained to them why that happened. They said that they do not care about my reasons and refused to issue the birth certificate, summoning me instead for 1 week later."

Three trips and 2 weeks for a certificate for which all the legal grounds and documents were at hand, and which did not require more than 5 minutes!

In truth, more than a few such offices are staffed by bureaucrats--heartless, spiteful clerks who, unfortunately, have for a while now escaped the floodlight of public attention--on whom neither the happiness of a parent rejoicing in the birth of a baby, nor the pain of people reporting a death, make any impression. In addition, more than in a few cases, the only "incentive" that can shake such clerks out of their malevolent indifference is

the small personal "gratuity." As if their salary was paid for mere physical presence, while dealing with a request required a special "reward."

For the bureaucrats in question matters of life and death are only pieces of paper with a registration number to be shuffled from here to there, sometimes until they become lost. That is what happened with the notification filed with the Pension Bureau of Sector No 4 by Narieta Udeanu of 8, Moldovita St. Her notification, registered under number 19,353 was merely designed to amend a negligence: the mailman failed to appear on the day she was scheduled to receive her pension for September. She was told that she would receive her monetary rights on 23 October. As that day came and went without any result, she sent another notification (20,931). Losing patience with the lack of results produced by paperwork, she went in person to the respective pension bureau. Ignoring the "reception" of the office clerks, she insisted on finding out what had happened with the first notification. After lengthy searches through various shelves, the paper was found forgotten in a file... precisely where it had been laid 1 months previously. No one had touched it, just as, most likely, the other papers in that forgotten file.

More tenacious, Mihail Zainescu of 5, Aleea Barajul Bistritei, who had 3,580 lei withdrawn as income tax without being told on what grounds, went to court and won. The court decision was natural: the responsible revenue office was instructed to return the amount in question. The error was thus--partially--corrected. However, is it acceptable or permissible to make a person waste time and lose sleep, finally having to go to court, because of the crass negligence of a bureaucrat? Moreover, nothing happens to such clerks; they continue to function with the same lack of responsibility and understanding for the interests of the public.

Mere negligence? How often, dear reader, while standing in front of some counter and waiting to be heard, have you not noticed how nonchalantly male or female clerks leisurely chat with their colleagues about things that bear no relation to their work, becoming angered if some more insistent applicant interrupts them? And then there are those who discuss sports results, canning recipes, or knitting patterns while "on the job," that is to say, while making record entries, drawing up documents, or adding up numbers. Of course, these may be persons endowed with multilateral attention capability, but the fact remains that "slips" occur particularly in such cases, with annoying consequences for the citizen, although not for the person who made them.

For example, the frequent "coincidence" of two or three train tickets sold for the same seat has become commonplace. However, for the same reason--the clerk's lack of concentration or attention--two allocations were issued in Craiova for the same... apartment. Of course, the situation was sorted out. But it is not difficult to imagine the time, effort, and aggravation that was expended in correcting the mistake. Also in connection with housing, Razvan Radovici, a teacher living in the Silozului-Infratirii district of the same city--told us about the scare he lived through: one day he received a notification from CEC [Bank of Savings and Deposits] stating that, in view of the fact that he was far behind in the mortgage payments for his apartment, he would have to vacate the apartment, which was to be put up for sale. He rushed to his school and procured a certificate showing that he had been regularly



meeting his payments. "It is no good," he was told at CEC. "We have not received the money." He had to take leave of absence from his job and, with the permission of the management of the respective CEC branch, he searched the archives for entries of the past 4 years to find the error. (Was it really his job to do that?) And finally he found it: some person at the people's council (who was undoubtedly discussing sports or preserves), had credited the payments to another person! A small detail...

There are countless small "slips" that have been known to produce great tangles and cause aggravation to many people. Ion Dumitrescu from the village Dobroiesti, Dolj County, was due to receive a certain sum of money from ADAS [State Insurance Administration] as damages. After 1 year of waiting, he requested an explanation. "The money was sent long ago," he was told at ADAS. And where was it? The commune post office, which was responsible for delivering the money, launched a thorough investigation. The findings? The money order had been cashed by another Ion Dumitrescu, from the same commune, who--the coincidence thickens--was also entitled to a payment from ADAS. True, that he had already received, but he thought that the second payment was the result of a recalculation. And he could not be persuaded of the contrary, since the money order clearly bore his address. The person who had mailed the money order from ADAS-Dolj had omitted to add the name of the Dobroiesti village. The misunderstanding has still not been resolved, and the beneficiary, who has waited 1 year, continues to wait... indefinitely.

We want to discuss another, newer problem: handling the new technology. Thus, pensions are paid out on the basis of computer cards issued at the Ministry of Labor. Like any other piece of machinery, the computer needs to be supervised, something that at times seems not to be done. County post and telecommunications directorates sometimes receive illegible money orders, on which the name, address, or amount are difficult or impossible to make out. In some cases the money orders had to be sent back, thus delaying the payment; in other, more frequent cases, a 3 is mistaken for an 8, a 9 for a 0, and only at the end of the month do the discrepancies emerge between the total amount that was to be distributed and that actually paid out. Such cases require a huge amount of work to discover the error. Not of the machine, but of the operator responsible for it.

Once again, we want to ask: who foots the bill for the damage, i.e., for the time wasted, the extra work, and the expenses incurred? So far, the citizen, while the careless or inattentive--better said, irresponsible--clerk handling papers bearing the logo of a state institution, and applying on them stamps and signatures that make them into official documents--goes scot free! Why is that?

#### The Consequences of One Letter or Figure Added or Dropped

There are documents, such as civil status records, which "accompany" us throughout life. Needless to say, such documents must be filled out with great care. Not even the smallest mistake is permissible, because subsequent corrections cannot be made without the decision of a court of law.

Here are a few cases, culled at random from the court of Bucharest's Sector No 2. Married at the Marasesti townhall, Ilarion Bud found himself with the name Ilarian (!); Nitu Constantin, of 69, Beiu Constantin St., requested a copy of his birth certificate, which he received, but for the name Nitu... Nicolae; the name of Anca Marlena Vlad, 52, Snagov St., obviously did not please the clerk who "corrected" it into Anca Marelena, an error that was then carried on to her daughter's birth certificate; Carmen Grancea, Vasile Conta St., had her date of birth changed when she got married.

Seemingly small mistakes, but which can trigger a chain of increasingly troublesome consequences. First of all, a citizen whose name was misprinted in an official document must file a petition with the court in his area of residence. The court approaches the militia bodies in the locality in which the document was issued for the necessary verifications. Only after that, is a date set in court to put in motion the action required to obtain a decision to amend the error. Naturally, all this requires time, sometimes months on end, something that can cause damage, including material damage, to the respective citizen. The procedure cited above shows that additional, and more than a few people become involved in correcting the error--magistrates, militia men, etc.--but not the "author" of the mistake.

The conclusion is self evident: more resolute actions must be taken to eliminate such manifestations of superficiality, indifference, and negligence --in a word, lack of responsibility. There is no sector of activity--economic, social, or cultural--in which efforts are not being made to eliminate all kinds of imperfections, to continuously raise the professional level, and to raise the quality of work. Should the services of public institutions be exempted from this comprehensive endeavor? And while unsuitable behavior by employees in various areas--trade, public transportation, etc.--toward citizens is criticized, and justly so, are we to tolerate arrogance or disinterest on the part of clerks in public institutions?

The managements of all these institutions must take energetic, resolute, and drastic actions to eliminate all such deplorable and inadmissible practices.

12782  
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## NEED FOR 'YOUTHFUL' ENTHUSIASM, AMBITION, COURAGE

Bucharest SCINTILA TINERETULUI in Romanian 26 Jan 87 pp 1,3

[Article by Dumitru Popescu, member of the Executive Political Committee of the RCP Central Committee and rector of the Party Academy for Social-Political Studies: "Youth as a Social Attitude"]

[Text] Comrade Nicolae Ceausescu's life and work belong, of course, to the entire nation, to the history of our times, and to the history of the Romanians in general. But they also belong, particularly and overwhelmingly, to the young generations, in view of both their substance, model value, and spirit and of the ever present feeling that they are directed at the most alert, dynamic, enthusiastic, receptive, and change oriented strata of the society, namely those who have recently joined or are about to join it, as well as those who will join it, that is to say, to the nation's future and the history that awaits it.

What is the source of this strong impression?

First, Comrade Nicolae Ceausescu was and is firmly convinced of the fact that the attitude and actions of the young masses are of a vital importance for the process of revolutionary changing of the society. As one of the leaders of the youth revolutionary movement during the terrible years of antifascist struggle and at the onset of the revolution for national and social liberation, he has first hand knowledge, so to speak, of the indispensability of the conscious, convinced, and fierce participation of the new generation in opposing and removing oppression, winning freedom, demolishing the system based on injustice, and replacing it by a new system of social justice and equity. The future leader of the country gained an invaluable vantage point from having led, as a young man, the most ardent and determined class of young people at a time when the old was collapsing and the cornerstone was being laid for the new Romania. The enthusiasm and talent of having found at that time the right words and the right means of bringing the young masses to the barricades of the revolution naturally left an indelible mark on the political experience of the present president of the republic, on his concept of the subjective, human moving factors of the revolutionary process, and on the progressive and rejuvenating role of the youth in society.

It is by no means a coincidence that the ninth congress, which called Comrade Nicolae Ceausescu to the highest command post, marked both a radical rejuvenation of the party, its political thinking, and the spirit and methods of building socialism, and a huge influx of young people at all the levels of the echelon which were decisive for the dynamics of social development and in all the sectors of the public body. This nation-wide political action had a strong regenerative effect: it sped up progress, swept away dogmas and refreshed the spiritual, ideological, and moral atmosphere, and gave wings to the revolutionary creativity. The 22 years that have passed since that memorable congress—which marked a turning point in the destiny of socialist Romania—have clearly demonstrated that the idea of youth—the youth of the party, youth as a rejuvenating, daring, and energetic spirit, and the youth as a vanguard struggle detachment—constitutes a cornerstone of the political concept and strategy of progress characteristic of the leader of our party and state.

A particularly impressive fact is that millions of young people in our country respond to the thoughts and statements of Comrade Nicolae Ceausescu not only when he addresses them directly—which he does very often, giving them advice and encouragement and opening up broad perspectives for all the categories of young people: those who study, those who work and create, and those engaged in research and thinking—but also every time he defines (and when does he not?) social consciousness, the art and science and leadership, the civic mentality, the working and living styles required by the continuous renewal and modernization of the society, the moral atmosphere of socialism, the spirituality of the new civilization, and the portrait of the dignified and responsible person militating for progress.

Thus, the human virtues assiduously cultivated by the RCP secretary general are attributes of youth—regardless of age, because it is the soul and the consciousness that determine a person's age, not the reverse—whereby everlasting youth must be the dominant trait of socialism, of revolutionary thinking and practice, of the communist party, and of the conscious writing of history by the people and for the people. Directly and indirectly this is a moving homage to both those young in years—provided their enthusiasm matches their age—and to those whom time has changed only externally, without extinguishing the flame of youth in their heart. For the former as for the latter, and for all Romania's citizens, the table of moral-spiritual values given by Comrade Nicolae Ceausescu remains continually topical and valid at every stage in life; it constitutes the guiding star of socialist humanism and immortal human beauty, and at the same time, the primary condition for raising the country to the peaks of our dreams and for the Romanian people's progress toward the highest levels of civilization. However, enumerating this "table of values" is a difficult task, not only because it requires laborious study and more space than is available in a newspaper column, but also because it is practically endless. We will cite only a few of its components, the essential chapters of the code of socialist ethics and the central objectives of the program of revolutionary education.

Whenever he addresses young people directly, Comrade Nicolae Ceausescu asks them to put all their willpower and energies into studying, so that they can enrich their minds with everything that is most valuable in the heritage of



human knowledge and understanding. However, the same demand is made of cadres and activists of all ages, of the communists in general, the working people, and the entire nation. Science and knowledge are presented as a lever of progress, as an indispensable condition for implementing the party program, and as the foundation of socialism and communism. To our secretary general, spiritual liveliness—hence, youth—is synonymous with understanding of the cardinal principle that the process of understanding nature, society, and man is a neverending process. From this position we are called upon to condemn and defeat the nefarious tendencies and manifestations of complacency and self-satisfaction, the belief that we know enough and can live the rest of our lives with what we have already acquired; we are called upon to wither the stupid "courage" to ignore the new achievements of science and practice that are unstoppably overflowing in all directions and are insistently knocking upon the gates of our minds. This logic leads to the conclusion that the struggle to continuously increase our capabilities is not a facultative option, but a primary civic duty regardless of our position, from creator of material assets to philosopher, from simple worker to minister, and from beginner to "veteran." And the reason for that is clear! In the age of the scientific-technical revolution, progress in any area is not possible without continuously refreshing our stock of knowledge, without wide horizons of professional, political, ideological, and general culture, and without knowing what the best in the world know. We are continuously warned that the mechanical repetition and utilization of outdated ideas—in any area of social life—is an obstacle in the development of socialism, and that the bearers of this type of mentality and those who stubbornly cling to such an attitude constitute a deadweight and an impediment in the path of revolutionary progress. Comrade Nicolae Ceausescu views youth as the vital need and obligation of each person, regardless of age, to know more, to continuously study, to acquire the new discoveries of human genius, and to be a torchbearer of science and new truths, illuminating the path of socialism at every moment and at each point or intersection of the public mechanism and collective thinking.

The party secretary general also calls our attention to another human trait marked by youth as an unalterable attribute of the revolutionary spirit, namely the strength not to become mired in ossified ideas and practices or in anachronistic structures and forms, not to become prisoners of routine, and not to remain deaf to the imperatives of the moment and of the various stages we are travelling. Youth is incompatible with and totally opposed to the fear of change when life demands it, to inertia and conservatism—the inveterate enemies of the dynamic and manysided development of the society. The essence of the revolutionary spirit in Comrade Nicolae Ceausescu's concept, and the essence of revolutionary youth are receptivity to and a passion for what is new, and resolute struggle to promote and assert what is new. Socialism is defined as a travel along untrod paths, as the ongoing clearing of a broad road among the thickets of history, amid conditions in which all manners of storms and earth tremors continuously change the terrain, thus requiring new tactics, original solutions, bold options, and innovative impulses. Courageous, adaptable, inventive, and lucid enthusiasm, free of prejudices and immune to obtuseness and immobility, is the main condition for preserving the combativeness and changing force of the party and the communists. Being young does not mean that one implicitly possesses all those qualities, but

acquiring and preserving them does implicitly mean that one is young; consequently, the young must be truly young, according to the model of a society destined to seethe with youth and to infuse its members with the ideal features of the age most capable of keeping step with the new.

At the same time, youth as a revolutionary tonus is at the opposite pole of indolence and defeatism. Recently the party secretary general has made frequent references to a certain category of cadres who, whenever faced with some difficulty, shrug their shoulders and complain: "It cannot be done." Youth believes that nothing can stand in its way. Of course, we are not referring to naive or utopic enthusiasm, or to the belief that one can get the moon; nor is it a question of ignoring material conditions or the means of achieving the goals set, in one word, substituting spirit for matter. It is a question of what is really humanly possible and the realistic goals set by the society--and the Marxist axion is that a society sets only the objectives it can attain--it is a question of the inexhaustible resources of the human mind to solve the involved equations of social practice. Waving, as a matter of course, the "cannot be done" flag does not denote only laziness, physical commodity, avoidance of any effort, or opting for an unexciting and tepid existence. It signals a more reprehensible position, namely the refusal to tap the unlimited resources of intelligence, a reluctance to put one's mind to the job, as they say, because the complex tasks of management and organization, and resolving the various new socioeconomic problems can no longer be dealt with by what was once, at the time of primarily physical effort, known as elbow grease, but require the subtleness of thinking, professional competence and ingenuity, and applied experience. Painstaking analysis of facts without preconceived ideas, avoiding spur-of-the-moment decisions based on impressions or improvised solutions, generated exclusively by temporary circumstances, the method of objectively, calmly, and logically examining all favorable or unfavorable--but always real and unignorable--factors, and judiciously wielding the available ways and means for meeting requirements in the order of actual importance--these are the procedures that make for a scientific management and considerably enhance the "can do" capabilities of individuals, collectives, and the society as a whole.

By hastening to proclaim the defeatist "cannot be done," one shows that one is content with little, content to stand in one spot or even regress, ready to abandon the race, to withdraw, to give up the ascent, to sink into the bog of mediocrity, and finally into decay. What is there in common between this attitude and youth, the youth of the revolutionary spirit, or the ever youthful ambition of the human forces of progress and socialism?

In a broad perspective that links the present to the past and future, present history to the history of yesterday and tomorrow, and within which the great national traditions are placed at the very foundation of the revolutionary education of the masses, Comrade Nicolae Ceausescu sees socialism as a stage of rebirth of the patriotic spirit, resuscitation of the love of the fatherland, and encouragement of the ambition of each generation to enrich the heritage of national assets and to make its own, distinct, impetuous, and lasting contribution to the greatness of our, our ancestors', and our followers' cradle of life. The loftiest youthful upsurge is found precisely in the ennobling pride of struggling not to leave your country behind in the

fierce competition of ultramodern civilization that dominates our era, of putting your mind and energies at the service of the supreme goal to which the party secretary general is calling the entire nation: elevating Romania to the level of the countries with an average level of development, and later to that of the advanced countries of the international community.

Thus, our party and state leader infuses us with the need for youth as a form of rejuvenating passion, thirst for knowledge and for penetrating the unknown, will to scale the peaks of progress, however steep, bold thinking and deeds, intolerance toward stagnation, obtuseness, and ignorance and toward superficial and haphazard improvisation, the need for youth as an expression of elevated reason and free, revolutionary thinking, without which one cannot build a new society of the scope, harmony, and justice of the socialist society. The source of this "leitmotiv" in defining the traits of the man and society of contemporary Romania is precisely the spiritual, intellectual, and emotional youth of the party secretary general, the fortunate turn of his psychological makeup, and the innate dynamics of his mind and entire being, which developed in the first years of conscious life under the auspices of revolutionary ideas and actions.

On his birth anniversary, we want to wish Comrade Nicolae Ceausescu the same things that he wishes for us, for the nation, and for our entire country: eternally fresh, seething, robust, and dynamic youth, so that his name may shine even brighter upon the flag of the party and country and in the nation's history, which will forever bear the mark of his impressive personality as a leader, thinker, and builder!

12782  
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## CURRENT ROLE OF PARTY, STATE IN SOCIETY

Bucharest ERA SOCIALISTA in Romanian No 23; 10 Dec 86 pp 1-4

[Article by Dr Aristide Cioaba]

[Text] The many revolutionary transformations in the life of our people during these years of socialist construction and especially since the Ninth Party Congress, the uninterrupted fulfillment of the programs which embody the strategy of socio-economic development in the current 5-year plan—during which Romania will move from a developing socialist country to a moderately developed socialist state—the forging of the multilaterally developed socialist state in the 21st century and the true practice of the principles of communist labor and life are all realities, goals and aspirations irrevocably linked to the clear-sighted definition—in concert with the spirit and letter of objective social laws—of the options and tasks before us all in the scientific, unitary and democratic organization and direction of our socialist society. In this complex and dynamic process of the conscious creation of a new order, the political factors—the communist party and the socialist state, that is, the political system in its entirety—play a decisive role.

Practical experience has clearly demonstrated that the party exercising its role of political leadership and the state its role in the unitary planning, organization, and direction of socio-economic activity represent a guaranteed way to attain all of the objectives which have been given them by the working class and the Romanian people, and to select the most appropriate routes to building socialism with the people and for the people in conformity with the high ideals of socialism and communism. At the same time, the coordinated actions of the political factors, the relationship established between the party and state in carrying out their roles directly affects the functioning of our political system and the ability of the two entities to perform their regulatory functions in all aspects of society.

Clearly, as with any social organism, the political system incorporates diverse elements which reflect the unique structural characteristics and level of development of the society which created it as well as the nature and particulars of the role which it plays in the life of the respective society. Within the political system, there are, nonetheless, elements which by virtue of their positions and the general functions they perform, comprise the nucleus around which the entire system is built. They give direction to the activities of all the other components of the political system. As far as our system is concerned, the documents of the 13th Party Congress and the



theoretical works of the secretary general, Comrade Nicolae Ceausescu, point out with good reason that in the present stage of development as well as looking ahead to the communist society, the communist party and the socialist state hold and will continue to play a central role in this political system. This role will not diminish; indeed it demonstrates the logical projection to grow in step with the increasingly complex tasks and the qualitative transformations implicit in the continuation of the revolutionary process under evolving circumstances.

It is not only in socialism, but in modern societies in general, that the party-state binomial constitutes the principal axis of power relationships in the lives of the respective societies. It can be said that beginning with the modern age, there really is no state policy that does not have its roots in the development of the programs of political parties. This condition is due to the fact that the political systems of modern societies were formed and operate from fixed objective causes, based on institutional delimitations and the specialization of functions carried out within their organizational structures. Political parties, for their part, act as factors in conceptualizing and expressing the general will of classes and the interests of the various social groupings.

It is indisputable that in every type of society the position and function of the party and state—the relationships between them—bear the characteristic stamp of the respective socio-political order, of the unique historical and national circumstances and of the historical mission of the dominant class. The process of formulating the political system of our socialist society is most revealing in this regard. In the Romanian political system, the party and state and the relationship between them, act as vitalizing factors and as the tools that shape socialist construction. Their role is defined and redefined in line with the transformations which socialism must bring about, as a function of the new tasks which the party and state, and society as a whole, confront in each stage of the development of a new order.

The place and role of the party and state are not based, therefore, on arbitrary considerations and subjective wants, but are determined by and conform to the operation of objective social laws which control the historical work of the conscious construction of socialism. This work necessarily requires the unitary development and execution of vast programs of revolutionary transformation in all areas of spiritual and material life, in harmony with the fundamental interests of the working class—the vanguard of society—and of all the people. No political organization is equipped with the requisite political and ideological capacity or bears the historical and socio-political legitimacy to carry out this role other than the communist party. Comrade Nicolae Ceausescu has most correctly defined the party as the vital center of the social system, as the leading political force and as that element which galvanizes the energies of the people as a whole. Producing the overall political strategy for developing our socialist society and ensuring its implementation with the active participation of the working class and the people, the party—in the most powerful affirmation of its leadership role in all areas of society—represents the guarantor for fulfilling the historical mission of the working class, and for constructing socialism and communism in conformity with the will of this class and of the entire nation. This is a construction of socialism executed in light of the specific conditions of our country and of the demands of each new stage that the revolutionary process undergoes.

For its part, the socialist state as the exponent and embodiment of the sovereign power of the people, forms the broadest and most legitimate political framework for the execution of the will of the working class and of the people. It is systematically and scientifically designed by the communist party. The state is that organizational structure qualified to adopt decisions and to undertake concrete actions to transform into reality the political programs and the political line of the party in all spheres of social life. It thus ensures the realization of the general interests of society, harmonizing group and individual interests with the fundamental political values common to all classes and social categories.

Around the two basic components of the political system—the party and the state—the other organizational components are found and are organically integrated to assist in carrying out the functions of the political system. These constitute a vast and varied network of structures that make possible the direct participation of all workers in the socio-economic and political life of the country and in the leadership of society. It is through these structures that their interests are represented in the decision-making process.

The configuration of the Romanian political system and the reason it works so well are the result of a complex process of organizing and adapting it to specific conditions of the present stage of our society's development. This was a process initiated and consciously applied by the communist party. In this framework the relationship between the communist party and the socialist state has undergone a continuous and significant evolution over the four decades which have passed since the victory of the antifascist, antiimperialist revolution of social and national liberation.

In an early stage of socialist construction, during the establishment of the new socialist state, the party-state relationships were marked by historical tasks specific to the initial phase of the new order. Because of the new tasks that faced the party and because of the fact that the political system itself was gradually coalescing in the heat of the battle to overcome the difficulties and contradictions characteristic of these periods of replacing one social order with another, in the effort to resolve the many complex problems that confronted the working class and all working people, the relationship between the party and state sometimes manifested two contradictory trends. There was, on the one hand, the tendency to unite the party and state, sometimes to the point of interchangability, in carrying out practical activities; while at other times they so separated that they carried out parallel activities in party and state organs. In both cases the problem was an insufficient delimitation—even in the theoretical arena—of the specific role and methods of operation of the two fundamental institutions of our socialist society.

The consequences of this state of affairs had repercussions, in one way or another, on the execution of the state's role and, similarly, on the nature of party work. This led to both the trend of state cadre and organs to surrender responsibilities and to a certain bureaucratization of the work of party organs. In the years following the Ninth Party Congress, the secretary general of the party, Comrade Nicolae Ceausescu, drew particular attention to

the need to prevent this phenomenon and to overcome its effects. Indeed, it was the Ninth Party Congress that marked the beginning of a new age, and brought about profound transformations in all domains of social life including that of political organization.

In an in-depth analysis of the dynamic changes in the structure of Romanian society—an analysis marked by scientific rigorousness and revolutionary boldness—Comrade Nicolae Ceausescu added a theoretical contribution of exceptional importance in clarifying certain essential matters concerning the content and focus of specific activities of the principal institutional structures that form the political system. He outlined the specific role that each institution is called upon to play in the common effort to carry out the party program. Thus he laid a foundation for a new, coherent, and original concept which took into account both the Romanian experience and the experience of constructing socialism in other countries, as these apply to the role of the party and state in society and the dialectical relationship between them. In light of this concept, the growth of the role of the party and state must be understood and appreciated as a process of their organic integration into the life of society, concomitant and in natural harmony with the development of socialist democracy. In this context, the question of the relationship between the party and state required so much attention and concern on the part of the party precisely because the proper clarification of these relationships and especially the manner in which these operated in practice, determined the efficiency of the entire system of social management. The relationships between party and state, among all elements and levels of political organization, the methods of operation and the principles under which they are carried out were conceived of and improved in light of the central political objective to continually strengthen the revolutionary workers' democracy. They reflect the new unitary, democratic essence of power and the major common political goals which the Romanian socialist system supports. The structure of this system and the way it functions give a concrete example of a just and representative union of general interests with the specific concerns of various social and political categories.

Among bourgeois theoreticians and even among certain Western Marxist researchers a major confusion has persisted concerning party-state relationships in socialist political systems. At times this confusion has approached a point of principle, stating that in this type of system there is, in fact, a "melding" of party and state. According to a more recent articulation put forth by the political scientist, Thomas Lowit, the socialist political system is "a polymorphous party system"; the state and other components of the system being nothing more than "other facets" of one and the same omnipresent institution, the party, which operates under a number of forms. Despite this conceptual and methodological "innovation", the conclusions of this author really do not differ from older and equally erroneous analyses. They spring from a non-dialectical and extremely simplistic approach to a phenomenon as complex and dynamic as the relationship between party and state in our political system.

The common supreme goal of all classes and social categories in our society which has been defined by the party in close cooperation with all the people and incorporated in a unitary political program, the program of building a multilaterally developed socialist state and advancing Romania toward communism, requires involving the entire social organism, and thus the entire



political system, in a single direction to carry out the previously defined objectives and tasks. This in no way leads to the diminishing or elimination of one or another of the organizations that make up its functional mechanism since not in theory and certainly not in practice is it possible for the party to take over and carry out the objective functions associated with the active manifestations of the entire system or to substitute itself for the political system as such. The execution of its own program would not be possible without the ever-increasing involvement of all organizational elements of the system with the methods and means specific to the positions and roles they possess within that system. The mission of the party and its quality as the vital center of this system reside precisely in ensuring the bases for the balanced functioning of the political system, for uncovering and eliminating in a timely fashion malfunctions and contradictions, and in perfecting its organization and functioning to improve the requisite performances in the process of implementing the program to build a new social order.

Based on the experiences gained in practice in our country, its theoretical generalizations in party documents and the work of the secretary general, the relationships between the party and state are structured along certain essential interrelated coordinates. These, when taken together, form a dialectical unity and exercise a powerful positive influencing force on the organization and direction of socio-political life.

One of these coordinates is defined by the intrinsic reality of our socialist order, having firm historical and socio-political determinations and being reflected in the principle expressed in the country's constitution that in the Socialist Republic of Romania, the leading political force is the Romanian Communist Party. On the basis of this principle, which operates across the whole of society, the relationships between the party and state are institutionalized. A matter of exceptional importance then is the limitation in theory and the solution in practice of the problems generated by reciprocal interventions in the individual roles of the party and state in the unitary system of our socialist democracy. In this regard, the party has put forth a vast and painstaking theoretical, political and organizational undertaking which has resulted in the last two decades—under the urging of and with the principal contribution from Comrade Nicolae Ceausescu—in the development of scientific concepts regarding the leadership role of the party and the role of the state in the unified guidance of socio-economic activities. Thus new measures for improving the ways and means of exercising these roles are based on a fundamental principle. Our experience in building a new order demonstrates that the leadership by the party of society and the state, and the leadership of the state of socio-economic activity and the process of implementing the general policies of the party are interconnected links of the same dialectical and unitary process of the political guidance of the socialist society.

The fact that the party has the role of the leading political force does not lead it to or require it to assume all types of activity associated with social guidance. As our party leadership has pointed out, this does not mandate the monopolization of all political activity or of the guidance of society which is accomplished, practically speaking, in the political system as a whole.

Party leadership means above all a general political line, determining the



content and directions of general activity, drafting the objectives and ensuring the coordinated activity of all institutional elements--in other words the strategy of building a socialist and communist society based on in-depth study of the specific historical, national and international conditions--and at the same time unifying and mobilizing workers and all society to carry out the general political party line. At the same time, the state has the essential task of planning social activity and achieving the general objectives established by the party through democratic consultation with the masses. As the party secretary general pointed out, "In fact, in today's society there is a large number of directors who at different levels in our social organization ensure the proper functioning of the public mechanism and control innumerable compartments of activity. But, for their part, all of these directors must act in unison, on the basis of unified and centralized control and direction. It is in this way that we must achieve the management of our socialist state--the communist party executing the role of a collective director; it is the guiding political force of the entire nation and of our socialist state." (1)

This affirmation of the party from the perspective of its role and function as the vital center of the nation and of the entire social system gives a clearer picture of its relationships with the other components of the political system and especially with the socialist state. Acting, as pointed out in the RCP Program, as "the central coordinator of all areas of economic and social life," (2) the party engages and integrates in a systematic operation the state and the other constituent elements of the political organization of our society. Party-state relationships are thus laid down in a relative specialization of the roles and methods of operation, against the backdrop of the same socio-political foundations and the same strategic objectives. This specialization, caused by objective factors which preside over the division of political roles at the societal level, coexist and interact with another tendency, that of the basic identity of party and state organizational principles and a single ideological orientation for the entire political system. Indeed, the specialization of the roles is defined by basing the organization and functioning of the party and state on the principles of democratic centralism, on collective leadership and work, on organic integration in social life etc., because the political system as a whole is tasked by the same major political goals and is guided by the same values and political norms and by the same ideal.

As has been demonstrated in the practice of constructing socialism in our country, the objective trend of a growth in the political leadership role of the party in no way blocks a strengthening of the socialist state's role in organizing and guiding socio-economic activity during the entire period of constructing the new order. "We can say with no fear of contradiction that there can be no discussion of diminishing the role of the state in the unified guidance of society," stated Comrade Nicolae Ceausescu. "On the contrary, the powerful development of the forces of production and the unprecedented increase in socio-economic activity demand the improvement and growth of the state's role in ensuring the unified and harmonious development of society." (3) What constitutes a radical change in carrying out this complex and long-term process is not the notion of there being two basic political institutions which coexist in consciously directing and executing the revolutionary transformations which will result in full communism, in achieving a classless society, but their essence, their social nature and the qualitative level at

which each exercises its role.

The driving and the leading political force of society and the state, our party, is systematically engaged in improving the quality and the socio-political efficiency of state activities. It works to improve the state's ability to carry out the socio-economic construction of the country including the organic integration of the latest scientific advances and with the widespread democratic participation of the workers. The growth of the state, of the revolutionary workers democracy, does not come as the result of 'nationalizing' social life, but from continuously increasing the participation of the masses and the citizenry in all activities of state leadership. This is achieved by stimulating and making full use of the initiative of the workers and of all the people. The orientation of the evolution and the role of our socialist state along these lines constitutes a most telling expression of the way the party in society exercises its leadership role.

The real, qualitative transformations which have occurred in the role and function of the state, particularly those of the last two decades, form the basis of a thesis and conclusion which outline another major reference point in the concept of Comrade Nicolae Ceausescu regarding party-state relationships. The broadening of the social base of the state and the continuing democratization of all aspects of activity have brought about substantial changes in the nature and function of the state. These define the state, under the current conditions, as the state of revolutionary workers democracy. In this new role, the state is, in practice, engaged in actualizing the power of the people of all classes and social categories. Defining it as the exponent or instrument of a certain class no longer conforms with reality. Having become the authentic representative of the power of all the people and the organizing force for the people to exercise their power, the state can no longer be regarded simply as an "instrument" for executing the power of the working class, of the people. Now that the state is much more integrated in guiding socio-economic life, today together with the party, it fulfills the important role of stimulating the creative activity of the workers and is not simply an instrument which administers to the public concerns in their name. Exercising power together with the people, under the leadership of the working class and the party, the state of revolutionary workers democracy demonstrates itself as a new and much more democratic organism.

Considering the state simply as an "instrument" without taking into consideration its new essence and its special place in the mechanism of our democratic life would very much restrict the understanding of the great responsibilities which the party has entrusted to this organization. In practice, this would present the image of a state reduced to a simple technical apparatus, with the responsibility only to execute. This would generate especially at the primary elements of state organization, the negative aspects of bureaucratization, routine and inflexibility, a tendency to simply wait for new guidance and orders from the party organs. The secretary general of the party is fighting this mentality. He has developed a new vision, he sees the dialectical party-state relationship beginning from the emphasis on the definite characteristics of our state, in its role as, "the supreme representative of the owners and producers, the organizer of life in common of all the people and of the nation." (4) Hence this is not just an

"instrument" to organize social life, but, above all, it is an active responsible organizer of social life.

The party-state relationship expresses a profoundly dialectical interconnectivity. This is to be found in the fact that as for society as a whole, for the state in particular the party program represents an indispensable set of directions, while for society as it is for the party above all, the laws of the state and its decisions based on the law are absolutely obligatory. These express the sovereign will of the people through the state as representative of supreme power in society. Hence any violation of the country's laws is incompatible with party membership. Along these lines, Comrade Nicolae Ceausescu has stressed, "No one for any reason may disobey or violate the decisions and laws of the country. I am insisting on this matter because when we talk about broadening the leadership role of the party, we must begin with the fact that all of its members, communists in all sectors wherever they may be, must be most resolute in respecting the decisions and laws of the country." (5)

The roles of the party and state are not contradictory; they are complementary and interconnective. Hence, the affirmation of the role of the party as well as of the state, calls for the appropriate activity and the use of the forms and methods unique to the activities of each. A basic conclusion gleaned from the Romanian political experience by the secretary general of the party and laid down as the principal guideline in party-state relations is that the party must not substitute itself for the state and its organs. This thesis was reaffirmed at the great democratic forum of workers when the party secretary general pointed out that, "the party organs must in no way substitute themselves for the state organs, the workers councils or the mass organizations. They are instead to ensure the proper functioning of these organizations." (6) The practical value of this thesis is particularly noteworthy given that no system can function most efficiently when its component parts are not operating in the harmonious fashion necessary to ensure the full and active involvement of all parties in all the activities of society. Putting this thesis into practice ensures an improvement in the operation of our political system which can capitalize on its democratic character and its superiority not by removing one or another of its elements, and especially not the state, from the system as a whole, but by eliminating faults and contradictions which could affect the equilibrium and dynamism of the system. It should allow each subsystem to fully exercise its attributes and prerogatives in line with the specific function it is to perform.

There is another element that should be added to the framework described above for party-state relationships, one that serves to complete the picture of these relationships and which clearly indicates their dialectical character. This element is the objective tendency for party and state relationships to interweave. Seen in party documents as a phenomenon that will become more apparent over time, this interweaving of party and state activities is irrevocably linked to the need for the most complete definition and continued improvement of the organizational forms and methods of guidance, given the increased role of the state in directing the new processes in socio-economic activity.

There are objective causes for this process of the interweaving of party and state activity, and, on a larger scale, the activity of all institutional



elements. Some of these objective causes are a generalization and improvement of the relationships between production and socialist society, the stepped-up process of social homogenization, increased trust and cooperation between classes in the heroic work of implementing the party program, which ensures the satisfaction of common general interests, the strengthening of unity and cohesion of all workers regardless of national origin around the party etc. Also the interweaving of party and state activities is demanded by the nature and operational characteristics of our society's superstructure. There is an objective phenomenon of interweaving party and state activities determined by their positions as subsystems of the political system and by the complementary nature of their roles. Practical experience demonstrates that the interweaving of party and state activities is one of the fundamental directions for improving the organization and functioning of the political system given that they have common tasks and goals. Of course, in order to ensure that this interweaving takes on the most proper form, in other words that the activity of one does not eclipse the other, but instead, allows the simultaneous execution of common and specific activities without a mutual loss of responsibility or a "melding" of the roles, our party—the vital center of the entire social organism—carefully follows and firmly guides this process.

The Romanian political experience over the last 21 years shows that here too there is an original experience, with positive results that have validated the solutions developed by the party secretary general, Comrade Nicolae Ceausescu, and the measures for improvement adopted over those years. One solution that strengthened contacts between party and state within the framework of existing organizations, employed the concepts of holding dual positions in the party and state from the local through the national levels and the rotation of cadre in the state and party. Measures giving party cadre direct responsibility in state organizations, for example, first secretaries or party committee secretaries at the county, municipal, city and commune levels as presidents of the people's councils at their same level eliminated parallelisms and the tendency to manage in a general way without a solid foundation in the real, concrete problems of social life. At the same time, these measures increased the direct responsibility of party organs for the specific activity of economic and social construction. They strengthened the role of state organs and the quality of the activities they carried out at all levels of administrative-territorial organization. These new political structures in the socio-political organization of our society formed another solution that strengthened the interweaving of party, state and social activities. These new political structures, the party-state organs—for example the Supreme Council for Socio-Economic Development (created in 1973 and functioning as an economic parliament), the Council for Socio-Economic Organization, the Central Council for Workers' Supervision of Economic and Social Activities, the National Committee for Science and Technology, the Council for Socialist Culture and Education, the Committee for the People's Councils, the Defense Council and so on—incorporate into a single unit the attributes and functions carried out in common by the party and state. These functions and attributes are more tied to the process of defining and bringing about the specific contents of a significant phase or moment of activity of social guidance—forecasting and planning, organization and supervision—or for the unitary execution of certain complex tasks in particularly significant domains for the better development of socialist construction. These include the socialist education of the masses, the development of science and training, the coordination and improvement of the activities of people's councils and so on.



All of these forms of interweaving party and state activity attest first and foremost to the fact that, "the party cannot remain above or removed from the organization of society's leadership," as Comrade Nicolae Ceausescu recently pointed out, "instead it must integrate itself into their activities, to be an organizer and give impetus to all activities" (7), by virtue of the fact that it is the party of government. These define the method by which the party engages the state and public organizations in the full cycle of the act of socio-political guidance—from studying reality and culling out the demands of social development, harmonizing the interests of social and professional classes and categories in the political solutions adopted, to evaluating the impact of decisions on the social system and preparing institutional and organizational measures to continuously upgrade their functioning as well as to accelerate the development of all of society.

The institution of forms and organizations to achieve the interweaving of party, state and public activities, the definition of the position and responsibilities of each element in the general process of guiding society, and the theoretical theses of Comrade Nicolae Ceausescu concerning the dialectical relationships between party and state, between the state and the new democratic institutions and on self-management represent important theoretical and practical contributions to the improvement of the organization and functioning of our political system. They contribute to overcoming certain phenomena of parallelism and superimposition or substitution, and they respond to the stringent demands for increasing efficiency and the qualitative aspects of the political guidance of our socialist Romania.

Strengthening the role of the party as the leading political force in all areas of activity demands at the same time an on-going effort to raise the level of responsibility of state organs and of the new democratic organs in guiding society. Party members in these organizations are responsible to the party organs for their activities in state organizations and in the new democratic organisms. According to the viewpoint and criteria formulated by the party secretary general, to the extent that the activities of these organizations are carried out at a higher level, so too will we better ensure the growth of the party as the guiding political force. The party determines the proper functioning of the state organs and the new democratic entities, and the organic interweaving of their activities. This gives expression to the portrayal of its historic mission of today.

#### FOOTNOTES

- (1) Nicolae Ceausescu, "Romania on the Road to Building a Multilaterally Developed Socialist Society," Vol 7, Editura Politica, Bucharest, 1973 p 30.
- (2) "The Program of the Romanian Communist Party for Forging a Multilaterally Developed Socialist Society and For Advancing Romania Toward Communism," Editura Politica, Bucharest, 1975, p 115.
- (3) Nicolae Ceausescu, "Report to the 13th Congress of the Romanian Communist Party," Editura Politica, Bucharest, 1983, p 36.
- (4) Nicolae Ceausescu, "Romania on the Road to Building a Multilaterally Developed Socialist Society," Vol 24, Editura Politica, Bucharest, 1983, p 36.
- (5) Nicolae Ceausescu, "Romania on the Road to Building a Multilaterally Developed Socialist Society," Vol 26, Editura Politica, Bucharest, 1984, p 170.
- (6) Nicolae Ceausescu, "Speech to the 3d Congress of Workers in Industry and Other Economic Sectors of Socialist Romania, 4 September 1986, Editura

Politica, Bucharest, 1986, p 31.

(7) Nicolae Ceausescu, "Speech to the 3d Congress of Workers in Industry and Other Economic Sectors of Socialist Romania, 4 September 1986, Editura Politica, p 31.

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